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Financial Statements - Statutory Basis

Aetna Better Health, Inc.
(a Louisiana corporation)

Years Ended December 31, 2016 and 2015
with Independent Auditors' Report

KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Independent Auditors' Report

The Board of Directors
Aetna Better Health, Inc. (a Louisiana corporation)

Report on the Financial Statements

We have audited the accompanying financial statements of Aetna Better Health, Inc. (a Louisiana corporation), which comprise the statutory statements of assets, liabilities, and capital and surplus as of December 31, 2016 and 2015, and the related statutory statements of revenue and expense, changes in capital and surplus, and cash flow for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices prescribed or permitted by the Louisiana Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the financial statements are prepared by Aetna Better Health, Inc. (a Louisiana corporation) using statutory accounting practices prescribed or permitted by the Louisiana Department of Insurance, which is a basis of accounting other than U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.

The effects on the financial statements of the variances between the statutory accounting practices described in Note 2 and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of Aetna Better Health, Inc. (a Louisiana corporation) as of December 31, 2016 and 2015, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and surplus of Aetna Better Health, Inc. (a Louisiana corporation) as of December 31, 2016 and 2015, and the results of its operations and its cash flow for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the Louisiana Department of Insurance described in Note 2.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the Supplemental Investment Risks Interrogatories and Summary Investment Schedule is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Louisiana Department of Insurance. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

June 1, 2017

Aetna Better Health, Inc.
(a Louisiana corporation)
As of December 31, 2016 and 2015

Statutory Statements of Assets

	Current Year			Prior Year
	Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
01 Bonds (Schedule D)	$130,822,565	$0	$130,822,565	$26,090,197
02.1 Preferred stocks (Schedule D)	0	0	0	0
02.2 Common stocks (Schedule D)	0	0	0	0
03.1 Mortgage loans on real estate: First liens	0	0	0	0
03.2 Mortgage loans on real estate: Other than first liens	0	0	0	0
04.1 Properties occupied by the company	0	0	0	0
04.2 Properties held for the production of income	0	0	0	0
04.3 Properties held for sale	0	0	0	0
05 Cash ($4,287,013 in 2016 and $4,048,867 in 2015), cash equivalents ($27,398,733 in 2016 and $28,422,216 in 2015) and short-term investments ($251,425 in 2016 and $1,002,791 in 2015)	31,937,171	0	31,937,171	33,473,874
06 Contract loans	0	0	0	0
07 Derivatives (Schedule DB)	0	0	0	0
08 Other invested assets (Schedule BA)	0	0	0	0
09 Receivables for securities	84,375	0	84,375	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)	162,844,111	0	162,844,111	59,564,071
13 Title plants (for Title insurers only)	0	0	0	0
14 Investment income due and accrued	501,774	0	501,774	69,039
15.1 Uncollected premiums and agents' balances in the course of collection	47,348,249	0	47,348,249	27,763,134
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0	0
15.3 Accrued retrospective premiums and contracts subject to redetermination	0	0	0	0
16.1 Amounts recoverable from reinsurers	45,536	0	45,536	0
16.2 Funds held by or deposited with reinsured companies	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0	0
17 Amounts receivable relating to uninsured plans	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0	1,038,833
18.2 Net deferred tax asset	27,617	0	27,617	0
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
22 Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0	0
23 Receivables from parent, subsidiaries and affiliates	0	0	0	0
24 Health care ($1,009,300 in 2016 and $0 in 2015) and other amounts receivable	4,350,549	3,341,249	1,009,300	0
25 Aggregate write-ins for other than invested assets	0	0	0	0
26 Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	215,117,836	3,341,249	211,776,587	88,435,077
27 From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0	0
28 Total (Lines 26 and 27)	$215,117,836	$3,341,249	$211,776,587	$88,435,077

See accompanying notes to statutory financial statements.

Aetna Better Health, Inc.
(a Louisiana corporation)
As of December 31, 2016 and 2015

Statutory Statements of Liabilities, Capital and Surplus

	Current Year Total	Prior Year Total
01 Claims unpaid	$109,181,413	$45,954,741
02 Accrued medical incentive pool and bonus amounts	0	0
03 Unpaid claim adjustment expenses	1,524,381	452,486
04 Aggregate health policy reserves, including the liability of $0 in 2016 and 2015 for medical loss ratio rebate per the Public Health Service Act	0	475,465
05 Aggregate life policy reserves	0	0
06 Property/casualty unearned premium reserves	0	0
07 Aggregate health claim reserves	0	0
08 Premiums received in advance	0	0
09 General expenses due or accrued	19,990,878	3,809,226
10.1 Current federal and foreign income tax payable and interest thereon	469,280	0
10.2 Net deferred tax liability	0	0
11 Ceded reinsurance premiums payable	0	0
12 Amounts withheld or retained for the account of others	0	0
13 Remittances and items not allocated	259,133	29,944
14 Borrowed money and interest thereon	0	0
15 Amounts due to parent, subsidiaries and affiliates	17,313,429	14,218,553
16 Derivatives	0	0
17 Payable for securities	0	0
18 Payable for securities lending	0	0
19 Funds held under reinsurance treaties	0	0
20 Reinsurance in unauthorized and certified	0	0
21 Net adjustments in assets and liabilities due to foreign exchange rates	0	0
22 Liability for amounts held under uninsured plans	0	0
23 Aggregate write-ins for other liabilities	69,620	0
24 Total liabilities (Lines 1 to 23)	148,808,134	64,940,415
25 Aggregate write-ins for special surplus funds	0	3,290,000
26 Common capital stock	0	0
27 Preferred capital stock	0	0
28 Gross paid in and contributed surplus	87,000,000	37,000,000
29 Surplus notes	0	0
30 Aggregate write-ins for other than special surplus funds	0	0
31 Unassigned surplus	(24,031,547)	(16,795,338)
32.1 Less treasury stock, at cost: 0 shares common	0	0
32.2 Less treasury stock, at cost: 0 shares preferred	0	0
33 Total capital and surplus (Lines 25 to 31 minus Line 32)	62,968,453	23,494,662
34 Total liabilities, capital and surplus (Lines 24 and 33)	$211,776,587	$88,435,077

Details of Write-Ins		
2301 Escheat payable	$69,620	$0
2302	0	0
2303	0	0
2398 Summary of remaining write-ins for Line 23 from overflow page	0	0
2399 Totals (Lines 2301 thru 2303) (Line 23 above)	$69,620	$0
2501 Estimated Health Insurer Fee accrual	$0	$3,290,000
2502	0	0
2503	0	0
2598 Summary of remaining write-ins for Line 25 from overflow page	0	0
2599 Totals (Lines 2501 thru 2503) (Line 25 above)	$0	$3,290,000

See accompanying notes to statutory financial statements.

Aetna Better Health, Inc.
(a Louisiana corporation)
For the Years Ended December 31, 2016 and 2015

Statutory Statements of Revenue and Expenses

	Current Year Total	Prior Year Total
01 Line not used		
02 Net premium income	$421,937,923	$180,663,358
03 Change in unearned premium reserves and reserve for rate credits	0	0
04 Fee-for-service	0	0
05 Risk revenue	0	0
06 Aggregate write-ins for other health care related revenues	625	0
07 Aggregate write-ins for other non-health revenues	0	0
08 Total revenues (Lines 2 to 7)	421,938,548	180,663,358
09 Hospital/medical benefits	271,724,278	135,316,665
10 Other professional services	4,987,775	568,368
11 Outside referrals	17,231,867	6,282,972
12 Emergency room and out-of-area	22,227,103	8,499,034
13 Prescription drugs	54,590,753	19,554,305
14 Aggregate write-ins for other hospital and medical	0	0
15 Incentive pool, withhold adjustments and bonus amounts	0	0
16 Subtotal (Lines 9 to 15)	370,761,776	170,221,344
17 Net reinsurance recoveries	467,279	0
18 Total hospital and medical (Lines 16 minus 17)	370,294,497	170,221,344
19 Non-health claims (net)	0	0
20 Claims adjustment expenses	12,902,017	9,093,459
21 General administrative expenses	46,132,830	19,707,734
22 Increase in reserves for life and accident and health contracts	(475,465)	475,465
23 Total underwriting deductions (Lines 18 through 22)	428,853,879	199,498,002
24 Net underwriting loss (Lines 8 minus 23)	(6,915,331)	(18,834,644)
25 Net investment income earned	604,219	65,155
26 Net realized capital gains less capital gains tax of $16,823 in 2016 and $8,591 in 2015	(1,775,264)	(231,506)
27 Net investment losses (Lines 25 plus 26)	(1,171,045)	(166,351)
28 Net gain or (loss) from agents' or premium balances charged off	0	0
29 Aggregate write-ins for other income or expenses	(1,320,000)	0
30 Net loss after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	(9,406,376)	(19,000,995)
31 Federal and foreign income tax benefits incurred	(1,552,686)	(6,118,234)
32 Net loss	$(7,853,690)	$(12,882,761)

Details of Write-Ins		
601 Other income	$625	$0
602	0	0
603	0	0
698 Summary of remaining write-ins for Line 6 from overflow page	0	0
699 Totals (Lines 0601 thru 0603) (Line 6 above)	$625	$0
2901 Regulatory fines and penalties	$(1,320,000)	$0
2902	0	0
2903	0	0
2998 Summary of remaining write-ins for Line 29 from overflow page	0	0
2999 Totals (Lines 2901 thru 2903) (Line 29 above)	$(1,320,000)	$0

See accompanying notes to statutory financial statements.

Aetna Better Health, Inc.
(a Louisiana corporation)
For the Years Ended December 31, 2016 and 2015

Statutory Statements of Changes in Capital and Surplus

	Current Year	Prior Year
33 Capital and surplus prior reporting year	$23,494,662	$3,018,536
34 Net loss from Line 32	(7,853,690)	(12,882,761)
35 Change in valuation basis of aggregate policy and claim reserves	0	0
36 Change in net unrealized capital gains or (losses) less capital gains tax	0	0
37 Change in net unrealized foreign exchange capital gain or (loss)	0	0
38 Change in net deferred income tax	27,617	0
39 Change in nonadmitted assets	(2,700,136)	(641,113)
40 Change in unauthorized and certified reinsurance	0	0
41 Change in treasury stock	0	0
42 Change in surplus notes	0	0
43 Cumulative effect of changes in accounting principles	0	0
44.1 Capital Changes: Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)	0	0
44.3 Transferred to surplus	0	0
45.1 Surplus adjustments: Paid in	50,000,000	34,000,000
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital	0	0
46 Dividends to stockholders	0	0
47 Aggregate write-ins for gains or (losses) in surplus	0	0
48 Net change in capital and surplus (Lines 34 to 47)	39,473,791	20,476,126
49 Capital and surplus end of reporting period (Line 33 plus 48)	$62,968,453	$23,494,662

See accompanying notes to statutory financial statements.

Aetna Better Health, Inc.
(a Louisiana corporation)
For the Years Ended December 31, 2016 and 2015

Statutory Statements of Cash Flows

	Current Year	Prior Year
01 Premiums collected net of reinsurance	$402,352,808	$152,900,224
02 Net investment income	76,321	15,687
03 Miscellaneous income	(2,707,169)	(641,113)
04 Total (Lines 1 to 3)	399,721,960	152,274,798
05 Benefit and loss related payments	308,115,003	124,236,659
06 Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0
07 Commissions, expenses paid and aggregate write-ins for deductions	43,101,300	24,539,481
08 Dividends paid to policyholders	0	0
09 Federal and foreign income taxes recovered net of $0 tax on capital gains (losses)	(3,043,976)	(5,071,077)
10 Total (Lines 5 through 9)	348,172,327	143,705,063
11 Net cash from operations (Line 4 minus Line 10)	51,549,633	8,569,735
12.1 Proceeds - Bonds	11,473,125	13,161,300
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net losses on cash, cash equivalents and short-term investments	(1,148)	(140)
12.7 Miscellaneous proceeds	0	0
12.8 Total investment (Lines 12.1 to 12.7)	11,471,977	13,161,160
13.1 Cost of investments - Bonds	117,867,623	39,492,046
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	84,375	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	117,951,998	39,492,046
14 Net increase or (decrease) in contract loans and premium notes	0	0
15 Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(106,480,021)	(26,330,886)
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	50,000,000	34,000,000
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	3,393,685	14,218,362
17 Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)	53,393,685	48,218,362
18 Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(1,536,703)	30,457,211
19.1 Cash, cash equivalents and short term investments - Beginning of year	33,473,874	3,016,663
19.2 Cash, cash equivalents and short term investments - End of period (Line 18 plus Line 19.1)	$31,937,171	$33,473,874

See accompanying notes to statutory financial statements.

1. Organization and operation

Aetna Better Health, Inc. (a Louisiana corporation) (the “Company”) is a wholly-owned subsidiary of Aetna Health Holdings, LLC, whose ultimate parent is Aetna Inc. ("Aetna").

The Company was incorporated in the State of Louisiana on July 27, 2010. Effective February 1, 2015, the Company began administering a health plan for individuals who qualify for Medicaid coverage in the State of Louisiana. The contract with the Louisiana Department of Health and Hospitals is for a term through January 31, 2018. In the event the contract is not renewed, the Company has received a guarantee of financial support by its parent through December 31, 2018. The conditions of such support stipulate that the parent has the ability to provide the necessary financial support to the Company and that there are no restrictions on the parent to provide such support.

2. Summary of significant accounting policies

Accounting practices

The accompanying statutory financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance (“Louisiana Department”) (“Louisiana Accounting Practices”). The Louisiana Department recognizes only statutory accounting practices prescribed or permitted by the State of Louisiana for determining and reporting the financial condition and results of operations of an insurance company, which include accounting practices and procedures adopted by the National Association of Insurance Commissioners' (“NAIC”) *Accounting Practices and Procedures Manual* (“NAIC SAP”). The Company's net loss and capital and surplus as stated on a NAIC SAP basis and on the basis of practices prescribed or permitted by the State of Louisiana were the same as of and for the years ended December 31, 2016 and 2015.

The Louisiana Accounting Practices vary from U.S. generally accepted accounting principles (“GAAP”). The primary differences include the following:

- Certain assets, designated as nonadmitted assets (other receivables, which are nonadmitted in accordance with Statements of Statutory Accounting Principles (“SSAP”) No. 4 - *Assets and Nonadmitted Assets*) are not recorded as assets, but are charged to surplus. Assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets which are unavailable due to encumbrances or other third party interests should not be recognized on the Statutory Statements of Assets, and are, therefore, considered nonadmitted;
- Bonds are recorded at amortized cost except for those with an NAIC designation of 3 through 6, which are reported at the lower of amortized cost or fair value. Therefore, changes in unrealized gains and losses for those securities held at amortized cost are not reflected in the financial statements. Under GAAP, bonds classified as available for sale are recorded at fair value, and related changes in unrealized gains and losses are recorded as a component of equity, net of deferred federal income taxes; and
- Deferred tax assets and liabilities are determined and admitted in accordance with SSAP No. 101 - *Income Taxes* (“SSAP No. 101”). Changes in net deferred tax assets and liabilities are reflected as changes in surplus, whereas under U.S. GAAP, changes in such assets and liabilities are reflected in net income. In addition, statutory accounting requires consideration of a statutory allowance adjustment in the calculation of adjusted gross deferred tax assets and an admissibility test for deferred tax assets.

There were no permitted practices by the State of Louisiana for the years ended December 31, 2016 and 2015.

Use of estimates in the preparation of the financial statements

The preparation of these financial statements in conformity with Louisiana Accounting Practices requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenues and expenses. Actual results could differ from those estimates.

Significant accounting policies

The Company applies the following significant accounting policies:

Cash, cash equivalents and short-term investments

Cash, cash equivalents and short-term investments, consisting primarily of money market instruments and other debt issues with an original maturity of up to one year, are carried at amortized cost. Short-term investments consist primarily of investments purchased with an original maturity date of greater than three months but less than one year. Cash equivalents consist of highly liquid instruments, which mature within three months from the date of purchase. The carrying amount of cash, cash equivalents and short-term investments approximates fair value.

Bonds

Bonds, which include special deposits as discussed more fully in Note 4, are carried at amortized cost except for those bonds with an NAIC designation of 3 through 6, which are carried at the lower of amortized cost or fair value. The amount carried at fair value is not material to the financial statements. Bond premiums and discounts are amortized using the scientific interest method. When quoted prices in active markets for identical assets are available, the Company uses these quoted market prices to determine the fair value of bonds. This is used primarily for U.S. government securities. In other cases where a quoted market price for identical assets in an active market is either not available or not observable, the Company estimates fair values using valuation methodologies based on available and observable market information or by using a matrix pricing model. If quoted market prices are not available, the Company determines fair value using broker quotes or an internal analysis of each investment's financial performance and cash flow projections. The Company had no investments where fair value was determined using broker quotes or an internal analysis of financial performance and cash flow projections at December 31, 2016 and 2015. Bonds include all investments whose maturity is greater than one year when purchased.

The Company periodically reviews its bonds to determine whether a decline in fair value below the carrying value is other-than-temporary. For bonds, other than loan-backed and structured securities, an other-than-temporary impairment ("OTTI") shall be recorded if it is probable that the Company will be unable to collect all amounts due according to the contractual terms in effect at the date of acquisition. Declines deemed to be OTTI in the cost basis are recognized as realized capital losses. Yield-related impairments are deemed other-than-temporary when the Company intends to sell an investment at the reporting date before recovery of the cost of the investment.

For loan-backed and structured securities, the Company records OTTI when the fair value of the loan-backed or structured security is less than the amortized cost basis at the balance sheet date and (1) the Company intends to sell the investment, or (2) the Company does not have the intent and ability to retain the investment for the time sufficient to recover the amortized cost basis, or (3) the Company does not expect to recover the entire amortized cost basis of the security, even if it does not intend to sell the security and has the intent and ability to hold. If it is determined an OTTI has occurred because of (1) or (2), the amount of the OTTI is equal to the difference between the amortized cost and the fair value of the security at the balance sheet date and this difference is recorded as a realized capital loss. If it is determined an OTTI has occurred because of (3), the amount of the OTTI is equal to the difference between the amortized cost and the present value of cash flows expected to be collected, discounted at the loan-backed or structured security's effective interest rate and this difference is also accounted for as a realized capital loss.

The Company analyzes all relevant facts and circumstances for each investment when performing its analysis to determine whether an OTTI exists. Among the factors considered in evaluating whether a decline is other-than-temporary, management considers whether the decline in fair value results from a change in the quality of the investment security itself, whether the decline results from a downward movement in the market as a whole, the prospects for realizing the carrying value of the bond based on the investee's current and short-term prospects for recovery and other factors. The risks inherent in assessing the impairment of an investment include the risk that market factors may differ from our expectations and the risk that facts and circumstances factored into our assessment may change with the passage of time. Unexpected changes to market factors and circumstances that were not present in past reporting periods may result in a current period decision to sell securities that were not other-than-temporarily-impaired in prior reporting periods.

Investment income due and accrued

Accrued investment income consists primarily of interest. Interest is recognized on an accrual basis and dividends are recorded as earned on the ex-dividend date. Due and accrued income is not recorded on: (a) bonds in default; and (b) bonds delinquent more than 90 days or where collection of interest is improbable. At December 31, 2016 and 2015, the Company did not have any nonadmitted investment income due and accrued.

Premiums and amounts due and unpaid

Premium revenue for prepaid health care products is recognized as income in the month in which enrollees are entitled to health care services.

Nonadmitted amounts consist of all premiums due and unpaid greater than 90 days past due, with the exception of amounts due under government insured plans, which may be admitted assets under certain circumstances.

The Company did not have any premiums or amounts due and unpaid at December 31, 2016 and 2015.

Hospital and medical costs and claims adjustment expenses and related reserves

Hospital and medical costs consist principally of fee-for-service medical claims and capitation costs. Claims unpaid and aggregate health claim reserves include the Company's estimate of payments to be made on claims reported but not yet paid and for health care services rendered to enrollees but not yet reported to the Company as of the Statutory Statements of Assets and Liabilities, Capital and Surplus date. Such estimates are developed using actuarial principles and assumptions, which consider, among other things, historical and projected claim submission and processing payment patterns, medical cost trends, historical utilization of health care services, claim inventory levels, medical inflation, contract requirement changes in membership and product mix, seasonality and other relevant factors. The Company reflects changes in estimates in hospital and medical costs in the Statutory Statements of Revenue and Expenses in the period they are determined. Capitation costs, which are recorded in hospital and medical expenses in the Statutory Statements of Revenue and Expenses, represent contractual monthly fees paid to participating physicians and other medical providers for providing medical care, regardless of the medical services provided to the enrollee.

The Company uses the triangulation method to estimate reserves for claims incurred but not reported. The method of triangulation makes estimates of completion factors that are then applied to the total paid claims (net of coordination of benefits) to date for each incurral month. This provides an estimate of the total projected incurred claims and total amount outstanding or claims incurred but not reported (claims unpaid). For the most current dates of service where there is insufficient paid claim data to rely solely on the triangulation method, the Company examines cost and utilization trends as well as environmental factors, plan changes, provider contracts, changes in membership and/or benefits, and historical seasonal patterns to estimate the reserve required for these months.

Claims adjustment expenses, which include cost containment expenses, represent the costs incurred related to the claim settlement process such as costs to record, process and adjust claims. These expenses are included in the Company's management agreement with an affiliate described in Note 7.

Aggregate health policy reserves and related expenses

Premium deficiency reserves ("PDR") are recognized when it is probable that the expected future hospital and medical costs, including maintenance costs, will exceed anticipated future premiums and reinsurance recoveries on existing contracts. Where allowed, anticipated investment income is considered in the calculation of any PDR. For purposes of calculating a PDR, contracts are grouped in manner consistent with the method of acquiring, servicing and measuring the profitability of such contracts. The Company had no PDR at December 31, 2016. The PDR balance of $475,465 was included in aggregate health policy reserves in the Statutory Statements of Liabilities, Capital and Surplus at December 31, 2015.

Fees Paid to the Federal Government by Health Insurers

SSAP No. 106 – *Affordable Care Act Section 9010 Assessment* ("SSAP No. 106") required (1) that the health insurer fee be recognized in full on January 1 of the fee year (the calendar year in which the assessment must be paid to the federal government), in the operating expense category of insurance taxes, licenses and fees, excluding federal income taxes and (2) that in each data year preceding a fee year a reporting entity pro-ratably accrue by reclassifying from unassigned funds (surplus) to aggregate write-ins for special surplus funds an amount equal to its estimated subsequent fee year assessment. This reclassification has no impact on total capital and surplus and is reversed in full on January 1 of the fee year beginning with fee years starting on January 1, 2015 and after. In December 2015, the Consolidated Appropriation Act was enacted which included a one year suspension in 2017 of the health insurer fee. As interpreted in INT 16-01: ACA Section 9010 Assessment 2017 Moratorium, because there is not an ACA Section 9010 fee due in September 2017, there is not an accrual of a liability on January 1, 2017 based on 2016 data year net written premiums. Accrual of a liability on January 1, 2018 for the ACA Section 9010 assessment based on 2017 data year net written premiums and the reclassification from unassigned funds (surplus) to aggregate write-ins for special surplus funds equal to the estimated 2018 fee year assessment accrued in data year 2017 will both continue as prescribed under SSAP No. 106. See Note 18 for disclosure of all amounts related to the health insurer fee for the Company.

Federal income taxes

The Company is included in the consolidated federal income tax return of its parent company, Aetna and Aetna's other wholly-owned subsidiaries pursuant to the terms of a tax sharing agreement. In accordance with a written tax sharing agreement with an affiliate, the Company's current federal income tax provisions are generally computed as if the Company were filing a separate federal income tax return; current income tax benefits, including those resulting from net operating losses, are recognized to the extent realized in the consolidated return. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

Income taxes are accounted for under the asset and liability method. Deferred income tax assets ("DTAs") and liabilities ("DTLs") represent the expected future tax consequences of temporary differences generated by statutory accounting as defined in SSAP No. 101. DTAs and DTLs are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. DTAs and DTLs are computed by means of identifying temporary differences which are measured using a balance sheet approach whereby statutory and tax basis balance sheets are compared. Current income tax recoverables include all current income taxes, including interest, reasonably expected to be recovered in a subsequent accounting period.

Pursuant to SSAP No. 101, gross DTAs are first reduced by a statutory valuation allowance adjustment to an amount that is more likely than not to be realized ("adjusted gross DTAs"). Adjusted gross DTAs are then admitted in an amount equal to the sum of paragraphs a. b. and c. below:

a. Federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with Internal Revenue Service ("IRS") tax loss carryback provisions.

b. The amount of adjusted gross DTAs, after the application of paragraph a. above, expected to be realized within the applicable period and that is no greater than the applicable percentage as determined using the applicable Realization Threshold Limitation Table. The applicable period refers to the number of years in which the DTA will reverse in the Company's tax return and the applicable percentage refers to the percentage of the Company's statutory capital and surplus as required to be shown on the statutory balance sheet adjusted to exclude any net DTAs, electronic data processing equipment and operating system software and any net positive goodwill ("Stat Cap ExDTA").

   The Realization Threshold Limitation Tables allow DTAs to be admitted based upon either realization within 3 years and 15% of Stat Cap ExDTA, 1 year and 10% of Stat Cap ExDTA, or no DTA admitted pursuant to this paragraph b. In general, the Realization Threshold Limitation Tables allow the Company to admit more DTAs if total DTAs as reported by the Company are a smaller percentage of statutory capital and surplus.

c. The amount of gross DTAs, after the application of paragraphs a. and b. above that can be offset against existing gross DTLs. In applying this offset, the Company considers the character (i.e. ordinary versus capital) of the DTAs and DTLs such that offsetting would be permitted in the tax return under existing enacted federal income tax laws and regulations and the reversal patterns of temporary differences.

Changes in DTAs and DTLs are recognized as a separate component of gains and losses in surplus ("Change in net deferred income tax") except to the extent allocated to changes in unrealized gains and losses. Changes in DTAs and DTLs allocated to unrealized gains and losses are netted against the related changes in unrealized gains and losses and are reported as "Change in net unrealized capital gains (losses)", also a separate component of gains and losses in surplus.

Reinsurance

In the normal course of business, the Company seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable underwriting results and to help balance its risks and capital by reinsuring certain levels of risk with other insurance enterprises. The reinsurance coverage does not relieve the Company of its primary obligations. Reinsurance premiums and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded for medical losses and the related unpaid reserves have been reported as reductions of these items. The reinsurance agreements are more fully discussed in Note 10.

Going concern

As of June 1, 2017, management has evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern and management has determined that it is not probable that the Company will be unable to meet its obligations as they become due within one year after the financial statements are available to be issued. Management will continuously evaluate the Company's ability to continue as a going concern and will take appropriate action and will make appropriate disclosures if there is any change in any condition or events that would raise substantial doubt about the Company's ability to continue as a going concern.

3. Accounting changes and corrections of errors

The Company did not have any accounting changes in the years ended December 31, 2016 and 2015.

4. Special deposits

Special deposits, included in bonds, consist of U.S. Treasury Notes, at amortized cost, which approximates fair value, of $1,000,000 at December 31, 2016 and 2015. These assets are restricted in accordance with certain state requirements relating to HMOs.

5. Bonds and other financial instruments

The following is a summary of bonds and other financial instruments, which include special deposits, cash equivalents, and short-term investments, at December 31, 2016 and 2015:

December 31, 2016

	Amortized cost	Statutory carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government	$128,840,975	$128,840,975	$375,202	-	$129,216,177
U.S. states, territories and possessions (direct and guaranteed)	8,097,059	8,097,059	44,630	$(51,279)	8,090,410
U.S. political subdivisions of states, territories and possessions (direct and guaranteed)	11,757,953	11,757,953	64,383	(2,384)	11,819,952
U.S. special revenue and assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	8,776,736	8,776,736	144,639	-	8,921,375
Industrial and miscellaneous (unaffiliated)	1,000,000	1,000,000	-	-	1,000,000
Total	$158,472,723	$158,472,723	$628,854	$(53,663)	$159,047,914

December 31, 2015

	Amortized cost	Statutory carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
U.S. Government	$54,515,204	$54,515,204	$20,352	-	$54,535,556
Industrial and miscellaneous (unaffiliated)	1,000,000	1,000,000	-	-	1,000,000
Total	$55,515,204	$55,515,204	$20,352	-	$55,535,556

Summarized below are the Company's bonds and other financial instruments, which include special deposits, with unrealized losses at December 31, 2016, along with the related fair values, aggregated by the length of time the investments have been in an unrealized loss position:

December 31, 2016

	Less than 12 months			Greater than 12 months		
	Number of Securities	Fair value	Unrealized losses	Number of Securities	Fair value	Unrealized losses
U.S. states, territories and possessions (direct and guaranteed)	1	$5,844,750	$(51,279)	-	-	-
U.S. political subdivisions of states, territories and possessions (direct and guaranteed)	1	2,685,517	(2,384)	-	-	-
Total	2	$8,530,267	$(53,663)	-	-	-

	Total		
	Number of Securities	Fair value	Unrealized losses
U.S. states, territories and possessions (direct and guaranteed)	1	$5,844,750	$(51,279)
U.S. political subdivisions of states, territories and possessions (direct and guaranteed)	1	2,685,517	(2,384)
Total	2	$8,530,267	$(53,663)

At December 31, 2015, the Company did not have any bonds and other financial instruments, which include special deposits, with unrealized losses.

The Company has reviewed the investments in the table above and has concluded that these are performing assets generating investment income to support the needs of the business. In performing this review, we considered factors such as the quality of the investment security based on research performed by external rating agencies and internal credit analysts and the prospects of realizing the carrying value of the security based on the investment's current prospects for recovery. Furthermore, the Company has no intention to sell the investments in the table above at December 31, 2016 before their cost can be recovered and for loan-backed and structured securities the Company has the ability and intent to hold these securities for a period of time sufficient to recover the amortized cost; therefore, no OTTI was determined to have occurred on these investments. In determining if the Company needs to sell before full recovery of value, the Company considers the forecasted recovery period, expected investment returns relative to other funding sources, projected cash flow and capital requirements, regulatory obligations, and other factors. Unrealized losses at December 31, 2016 associated with the Company's bond portfolio were primarily driven by higher Treasury yields in 2016 over 2015.

The contractual or expected maturities of bonds, cash equivalents and short-term investments at December 31, 2016 were as follows:

	Carrying value	Fair value
Due one year or less	$28,400,158	$28,400,158
Due after one year through five years	84,913,000	85,243,596
Due after five years through ten years	40,782,829	40,882,785
Due after ten years	4,376,736	4,521,375
	$158,472,723	$159,047,914

The maturity for a mortgage pass-through security, included in U.S. Government and U.S. special revenue and assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions, is not based on stated maturity, but instead is based on prepayment assumptions. Prepayment assumptions are calculated utilizing published repayment factors that estimate the prepayment rates on the mortgages in the Federal National Mortgage Association ("FNMA") and Government National Mortgage Association ("GNMA") pools.

Proceeds from the sales of bonds and other financial instruments were $11,473,125 and $13,161,300 in 2016 and 2015, respectively. There were no proceeds from the maturities of bonds in 2016 and 2015. Gross realized gains on sales of bonds were $51,866 and $45,838 in 2016 and 2015, respectively. There were no gross realized losses on sales of bonds in 2016. Gross realized losses on sales of bonds was $21,264 in 2015. Included in net realized capital losses for 2016 and 2015 were $1,810,687 and $248,017, respectively, of OTTI charges on debt securities that were in an unrealized loss position. The Company conducts regular reviews of its bond investments to assess whether a decline in fair value below carrying value is an OTTI. The Company will also recognize an OTTI on debt securities when the Company intends to sell a security that is in an unrealized loss position. Declines deemed to be OTTI are recognized as realized capital losses. The Company had no individually material realized capital losses on debt or equity securities that impacted its results of operations in 2016 or 2015.

There was no investment income due and accrued excluded from surplus at December 31,2016 and 2015.

Restricted assets (including pledged)

The Company had $1,000,000 on deposit with other regulatory bodies, which represented 0.47% and 1.13% of total admitted assets at December 31, 2016 and 2015, respectively.

The Company did not have any assets pledged as collateral not captured in other categories at December 31, 2016 and 2015.

The Company did not have any other restricted assets at December 31, 2016 and 2015.

6. Financial instruments

Financial instruments measured at fair value in the financial statements

Certain of the Company's financial instruments are measured at fair value in the financial statements. The fair values of these instruments are based on valuations that include inputs that can be classified within one of three levels of a hierarchy established by U.S. generally accepted accounting principles. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that qualifies a financial asset or liability for each level:

- **Level 1 –** Unadjusted quoted prices for identical assets or liabilities in active markets.
- **Level 2 –** Inputs other than Level 1 that are based on observable market data. These include: quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets, inputs that are observable that are not prices (such as interest rates and credit risks) and inputs that are derived from or corroborated by observable markets.
- **Level 3 –** Developed from unobservable data, reflecting our own assumptions.

Financial assets and liabilities are classified based upon the lowest level of input that is significant to the valuation. When quoted prices in active markets for identical assets and liabilities are available, we use these quoted market prices to determine the fair value of financial assets and liabilities and classify these assets and liabilities as Level 1. In other cases where a quoted market price for identical assets and liabilities in an active market is either not available or not observable, we estimate fair value using valuation methodologies based on available and observable market information or by using a matrix pricing model. These financial assets and liabilities would then be classified as Level 2. If quoted market prices are not available, we determine fair value using broker quotes or an internal analysis of each investment's financial performance and cash flow projections. Thus, financial assets and liabilities may be classified in Level 3 even though there may be some significant inputs that may be observable.

The statutory carrying values and estimated fair values of the Company's financial instruments at December 31, 2016 and 2015 were as follows:

December 31, 2016

	Aggregate fair value	Admitted assets	Level 1	Level 2	Level 3	Not practicable (carrying value)
Bonds, short-term investments and cash equivalents	$159,047,914	$158,472,723	$129,214,752	$29,833,162	-	-
Total	$159,047,914	$158,472,723	$129,214,752	$29,833,162	-	-

December 31, 2015

	Aggregate fair value	Admitted assets	Level 1	Level 2	Level 3	Not practicable (carrying value)
Bonds, short-term investments and cash equivalents	$55,535,556	$55,515,204	$54,532,765	$1,002,791	-	-
Total	$55,535,556	$55,515,204	$54,532,765	$1,002,791	-	-

The valuation methods and assumptions used by the Company in estimating the fair value of debt securities are discussed in Note 2.

There were no material realized and unrealized capital gains, purchases, sales, settlements, or transfers into or out of the Company's Level 3 financial assets during 2016 or 2015. There were no transfers between the Company’s Level 1 or 2 financial assets during 2016 or 2015.

In evaluating the Company's management of interest rate and liquidity risk and currency exposures, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

7. Information concerning Parent, subsidiaries, and affiliates

As of and for the years ended December 31, 2016 and 2015, the Company had the following significant transactions with affiliates:

The Company and AMA are parties to an administrative services agreement, under which AMA provides certain administrative services, including accounting and processing of premiums and claims. Under this agreement, the Company will remit a percentage of its earned premium revenue, as applicable, to AMA as a fee. For these services, the Company was charged $31,302,565 in 2016 and $24,581,615 in 2015. The agreement also provides for interest on all intercompany balances. There was no interest earned (incurred) on amounts due from (to) affiliates in 2016 or 2015.

Prior to March 1, 2016, the Company had coverage for certain litigation exposures ($10,000,000 per claim and in the aggregate including defense costs) through an affiliated captive insurance company.

As explained in Note 2, the Company participates in a tax sharing agreement with Aetna and Aetna's other subsidiaries. All federal income tax receivables/payables were due from/due to Aetna.

Amounts due to and due from affiliates shown in the accompanying Statutory Statements of Assets, Liabilities, Capital and Surplus include the Company's net receipts and disbursements processed by affiliates and transactions related to its administrative services agreement with AMA.

At December 31, 2016 and 2015, the Company reported $3,230,743 and $3,980,896, respectively, due to AMA related to this agreement. The Company also reported $13,582,380 and $10,237,657 due to Aetna at December 31, 2016 and 2015, respectively.

The terms of settlement require that these amounts be settled within 45 days after the end of the calendar quarter.

8. Health care receivables

Pharmaceutical rebates

The Company receives pharmaceutical rebates through an arrangement with Aetna Health Management, LLC ("AHM"), indirectly a wholly-owned subsidiary of Aetna. AHM has contractual agreements with pharmaceutical companies for rebates, which cover the Company's membership as well as the membership of other Aetna affiliates. The Company receives those rebates from AHM (either directly or through intercompany arrangements with other Aetna affiliates) that relate to the Company's membership. The Company estimates pharmaceutical rebate receivables based upon the historical payment trends, actual utilization and other variables. Actual rebates collected are applied to the collection periods below, using a first in, first out methodology. The Company had admitted pharmaceutical rebate receivables of $453,001 at December 31, 2016. The Company had no admitted pharmaceutical rebate receivables at December 31, 2015. (Refer to the Company's accounting practices related to pharmaceutical rebate receivables in Note 2).

The following table discloses the quarterly revenue and subsequent cash collections relating to the pharmaceutical rebates:

Quarter	Estimated pharmacy rebates as reported on financial statements	Pharmacy rebates as invoiced/ confirmed	Actual rebates collected within 90 days of invoicing/ confirmation	Actual rebates collected within 91 to 180 days of invoicing/ confirmation	Actual rebates collected more than 180 days after invoicing/ confirmation
12/31/2016	$453,001	-	-	-	-
9/30/2016	$364,342	$364,342	-	-	-
6/30/2016	$167,062	$167,061	$44,026	-	-
3/31/2016	$142,155	$142,089	$83,063	$40,304	-
12/31/2015	$138,640	$140,287	$61,099	$49,907	$12,020
9/30/2015	$126,685	$126,659	$36,348	$68,449	$8,552
6/30/2015	$92,635	$91,697	$21,139	$55,620	$6,264
3/31/2015	$49,466	$49,238	$22,742	$18,368	$4,832

9. Income taxes

The components of the net DTAs recognized in the Company's Statutory Statements of Assets and Liabilities, Capital and Surplus are as follows:

	December 31, 2016		
	Ordinary	Capital	Total
Gross DTAs	$4,085,476	$720,547	$4,806,023
Statutory valuation allowance adjustment	(4,085,476)	(654,122)	(4,739,598)
Adjusted gross DTAs	-	66,425	66,425
DTAs nonadmitted	-	-	-
Subtotal net admitted DTAs	-	66,425	66,425
DTLs	-	(38,808)	(38,808)
Net admitted DTAs	-	$27,617	$27,617

	December 31, 2015		
	Ordinary	Capital	Total
Gross DTAs	$1,535,388	$86,806	$1,622,194
Statutory valuation allowance adjustment	(1,533,871)	(86,806)	(1,620,677)
Adjusted gross DTAs	1,517	-	1,517
DTAs nonadmitted	-	-	-
Subtotal net admitted DTAs	1,517	-	1,517
DTLs	-	(1,517)	(1,517)
Net admitted DTAs	$1,517	$(1,517)	-

	Change		
	Ordinary	Capital	Total
Gross DTAs	$2,550,088	$633,741	$3,183,829
Statutory valuation allowance adjustment	(2,551,605)	(567,316)	(3,118,921)
Adjusted gross DTAs	(1,517)	66,425	64,908
DTAs nonadmitted	-	-	-
Subtotal net admitted DTAs	(1,517)	66,425	64,908
DTLs		(37,291)	(37,291)
Net admitted DTAs	$(1,517)	$29,134	$27,617

The amount of admitted gross DTAs admitted under each component of SSAP No. 101 is as follows:

	December 31, 2016		
	Ordinary	Capital	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	-	$27,617	$27,617
(b) Adjusted gross DTAs expected to be realized (excluding the amount of DTAs) after application of the threshold limitations (the lesser of (b)1 and (b)2 below):	-	-	-
1. Adjusted gross DTAs expected to be realized following the balance sheet date	-	-	-
2. Adjusted gross DTAs allowed per limitation threshold	N/A	N/A	9,759,096
(c) Adjusted gross DTAs (excluding the amount of DTAs from (a) and (b) above) offset by gross DTLs	-	38,808	38,808
(d) DTAs admitted as the result of application of SSAP No. 101	-	$66,425	$66,425

	December 31, 2015		
	Ordinary	Capital	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	$1,365	-	$1,365
(b) Adjusted gross DTAs expected to be realized (excluding the amount of DTAs) after application of the threshold limitations (the lesser of (b)1 and (b)2 below):	-	-	-
1. Adjusted gross DTAs expected to be realized following the balance sheet date	-	-	-
2. Adjusted gross DTAs allowed per limitation threshold	N/A	N/A	$2,450,441
(c) Adjusted gross DTAs (excluding the amount of DTAs from (a) and (b) above) offset by gross DTLs	152	-	152
(d) DTAs admitted as the result of application of SSAP No. 101	$1,517	-	$1,517

	Change		
	Ordinary	Capital	Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	$(1,365)	$27,617	$26,252
(b) Adjusted gross DTAs expected to be realized (excluding the amount of DTAs) after application of the threshold limitations (the lesser of (b)1 and (b)2 below):	-	-	-
1. Adjusted gross DTAs expected to be realized following the balance sheet date	-	-	-
2. Adjusted gross DTAs allowed per limitation threshold	N/A	N/A	$7,308,655
(c) Adjusted gross DTAs (excluding the amount of DTAs from (a) and (b) above) offset by gross DTLs	(152)	38,808	38,656
(d) DTAs admitted as the result of application of SSAP No. 101	$(1,517)	$66,425	$64,908

	2016	2015
(a) Ratio percentage used to determine recovery period and threshold limitation amount	433%	292%
(b) Amount of adjusted capital and surplus used to determine recovery period threshold limitation in (b)2 above	$64,894,225	$23,494,662

The impact of tax planning strategies is as follows:

	December 31, 2016		
	Ordinary	Capital	Total
(a) Determination of adjusted gross DTAs and net admitted DTAs, by tax character as a percentage:			
1. Adjusted gross DTAs	-	$66,425	$66,425
2. Percentage of adjusted DTAs by tax character attributable to the impact of tax planning strategies	0%	0%	0%
3. Net admitted adjusted gross DTAs	-	$66,425	$66,425
4. Percentage of net admitted adjusted DTAs by tax character admitted because of the impact of tax planning strategies	0%	0%	0%

	December 31, 2015		
	Ordinary	Capital	Total
(a) Determination of adjusted gross DTAs and net admitted DTAs, by tax character as a percentage:			
1. Adjusted gross DTAs	$1,517	-	$1,517
2. Percentage of adjusted DTAs by tax character attributable to the impact of tax planning strategies	0%	0%	0%
3. Net admitted adjusted gross DTAs	$1,517	-	$1,517
4. Percentage of net admitted adjusted DTAs by tax character admitted because of the impact of tax planning strategies	0%	0%	0%

	Change		
	Ordinary	Capital	Total
(a) Determination of adjusted gross DTAs and net admitted DTAs, by tax character as a percentage:			
1. Adjusted gross DTAs	$(1,517)	$66,425	$64,908
2. Percentage of adjusted DTAs by tax character attributable to the impact of tax planning strategies	0%	0%	0%
3. Net admitted adjusted gross DTAs	$(1,517)	$66,425	$64,908
4. Percentage of net admitted adjusted DTAs by tax character admitted because of the impact of tax planning strategies	0%	0%	0%

The Company's tax-planning strategies did not include the use of reinsurance.

There are no DTLs that were not recognized at December 31, 2016 or 2015.

The (benefit) provision for income taxes for the years ended December 31, 2016 and 2015 were as follows:

	December 31		
	2016	2015	Change
Federal income tax benefit on operations	$(1,552,686)	$(6,118,234)	$4,565,548
Federal income tax expense on net capital gains	16,823	8,591	8,232
Federal income tax benefit incurred	$(1,535,863)	$(6,109,643)	$4,573,780

The tax effects of temporary differences that gave rise to deferred tax assets and liabilities at December 31, 2016 and 2015 were as follows:

	December 31		
	2016	2015	Change
DTAs:			
Ordinary			
Claims unpaid	$2,916,040	$1,144,585	$1,771,455
Premium deficiency reserve	-	166,413	(166,413)
Provider advances – nonadmitted	1,169,436	224,390	945,046
Total ordinary DTAs	4,085,476	1,535,388	2,550,088
Statutory valuation allowance adjustment	(4,085,476)	(1,533,871)	(2,551,605)
Nonadmitted ordinary DTAs	-	-	-
Admitted ordinary DTAs	-	1,517	(1,517)
Capital			
Investments	720,547	86,806	633,741
Total admitted capital DTAs	720,547	86,806	633,741
Statutory valuation allowance adjustment	(654,122)	(86,806)	(567,316)
Nonadmitted capital DTAs	-	-	-
Admitted capital DTAs	66,425	-	66,425
Admitted DTAs	66,425	1,517	64,908
DTLs:			
Ordinary			
Ordinary DTLs	-	-	-
Capital			
Investments	38,808	1,517	37,291
Capital DTLs	38,808	1,517	37,291
Total DTLs	38,808	1,517	37,291
Net admitted DTAs	$27,617	-	$27,617

The change in net deferred income taxes is comprised of the following:

	December 31		
	2016	2015	Change
Total DTAs	$66,425	$1,517	$64,908
Total DTLs	(38,808)	(1,517)	(37,291)
Net DTAs/(DTLs)	27,617	-	27,617
Tax effect of unrealized gains (losses)			-
Change in net deferred income tax			27,617

The valuation allowance adjustment to gross DTAs was $4,739,598 and $1,620,677 at December 31, 2016 and 2015, respectively

The benefit for federal income taxes is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The items causing this difference are as follows:

	December 31, 2016	Effective tax rate	December 31, 2015	Effective tax rate
Benefit computed at statutory rate	$(3,286,344)	35.0%	$(6,647,340)	35.0%
Health Insurer Fee	1,130,668	(12.0)%	-	
Transfer pricing adjustment	(1,982,297)	21.1%	(852,917)	4.5%
Tax exempt interest	(16,407)	0.2%	-	0.0%
Change in nonadmitted assets	(945,046)	10.1%	(224,390)	1.2%
Prior year true-up	(44,975)	0.5%	-	0.0%
Change in statutory valuation allowance adjustment	3,118,921	(33.2)%	1,620,677	(8.5)%
Non-deductible penalties	462,000	(5.0)%	-	0.0%
Other	-	0.0%	(5,673)	0.0%
Total	$(1,563,480)	16.7%	$(6,109,643)	32.2%
Federal and foreign income tax (benefit) expense	$(1,535,863)	16.4%	$(6,109,643)	32.2%
Change in net deferred income taxes	(27,617)	0.3%	-	0.0%
Total statutory income taxes	$(1,563,480)	16.7%	$(6,109,643)	32.2%

The transfer pricing adjustment allows taxpayers to apply different methods to price current period intercompany services at arm's length prices as compared to what would be charged to an unrelated entity, which results in a permanent deduction for tax reporting purposes.

At December 31, 2016 and 2015, the Company had no net capital loss or net operating loss carryforwards for tax purposes.

The amount of federal income taxes incurred that are available for recoupment in the event of future net losses are:

Year	Ordinary	Capital	Total
2016	-	$16,822	$16,822
2015	-	8,950	8,950
2014	-	1,845	1,845
Total	-	$27,617	$27,617

The Company did not report any deposits as admitted assets under Internal Revenue Code Section 6603 at December 31, 2016 and 2015.

At December 31, 2016, the Company's Federal Income Tax Return was consolidated with the following entities:

Aetna Inc.
@ Credentials Inc.
Active Health Management Inc.
Adminco, Inc.
Administrative Enterprises, Inc.
AE Fourteen Incorporated
Aetna ACO Holdings, Inc.
Aetna Better Health Inc. (Connecticut)
Aetna Better Health Inc. (Georgia)
Aetna Better Health Inc. (Illinois)
Aetna Better Health Inc. (New Jersey)
Aetna Better Health Inc. (New York)
Aetna Better Health Inc. (Ohio)
Aetna Better Health Inc. (Pennsylvania)
Aetna Better Health Inc. (Tennessee)
Aetna Better Health of California Inc.
Aetna Better Health of Iowa Inc.
Aetna Better Health of Kansas Inc.
Aetna Better Health of Kentucky Insurance Company
Aetna Better Health of Michigan Inc.
Aetna Better Health of Missouri LLC
Aetna Better Health of Nevada Inc.
Aetna Better Health of Oklahoma Inc.
Aetna Better Health of Texas Inc.
Aetna Better Health, Inc. (Louisiana)
Aetna Dental Inc. (New Jersey)
Aetna Dental Inc. (Texas)
Aetna Dental of California Inc.
Aetna Florida Inc. (fka Aetna Better Health Inc. (Florida))
Aetna Health and Life Insurance Company
Aetna Health Inc. (Connecticut)
Aetna Health Inc. (Florida)
Aetna Health Inc. (Georgia)
Aetna Health Inc. (Louisiana)
Aetna Health Inc. (Maine)
Aetna Health Inc. (Michigan)
Aetna Health Inc. (New Jersey)
Aetna Health Inc. (New York)
Aetna Health Inc. (Pennsylvania)
Aetna Health Inc. (Texas)
Aetna Health Insurance Company
Aetna Health Insurance Company of New York
Aetna Health of California Inc.
Aetna Health of Iowa Inc. (fka Aetna Health Inc. (Iowa))
Aetna Health of Utah Inc.
Aetna HealthAssurance Pennsylvania, Inc.
bswift, LLC
Carefree Insurance Services, Inc.
Claims Administration Corporation
Cofinity, Inc.
Corporate Benefit Strategies, Inc.
Coventry Consumer Advantage, Inc.
Coventry Health and Life Insurance Company
Coventry Health Care National Accounts, Inc.
Coventry Health Care National Network, Inc.
Coventry Health Care of Delaware, Inc.
Coventry Health Care of Florida, Inc.
Coventry Health Care of Illinois, Inc.
Coventry Health Care of Kansas, Inc.
Coventry Health Care of Missouri, Inc.
Coventry Health Care of Nebraska, Inc.
Coventry Health Care of the Carolinas, Inc.
Coventry Health Care of Virginia, Inc.
Coventry Health Care of West Virginia, Inc.
Coventry Health Care Workers' Compensation, Inc.
Coventry Health Plan of Florida, Inc.
Coventry HealthCare Management Corporation
Coventry Prescription Management Services, Inc.
Coventry Rehabilitation Services, Inc.
Coventry Transplant Network, Inc.
Delaware Physicians Care, Incorporated
Echo Merger Sub, Inc.
First Health Group Corp.
First Health Life and Health Insurance Company
First Script Network Services, Inc.
Florida Health Plan Administrators, LLC
FOCUS Healthcare Management, Inc.
Futrix Inc.
Group Dental Service of Maryland, Inc.
Group Dental Service, Inc.
Health and Human Resource Center, Inc.
Health Data & Management Solutions, Inc.
Health Re, Incorporated
HealthAmerica Pennsylvania, Inc.
HealthAssurance Pennsylvania, Inc.
Managed Care Coordinators, Inc.
Medicity Inc.
Mental Health Associates, Inc.
Mental Health Network of New York IPA, Inc.
Meritain Health, Inc.
MetraComp, Inc.
MHNet Life and Health Insurance Company
MHNet of Florida, Inc.

Aetna Insurance Company of Connecticut	Niagara Re, Inc.
Aetna Integrated Informatics, Inc.	PayFlex Holdings, Inc.
Aetna International Inc.	PayFlex Systems USA, Inc.
Aetna Ireland Inc.	Performax, Inc.
Aetna Life & Casualty (Bermuda) Ltd.	Precision Benefit Services, Inc.
Aetna Life Assignment Company	Prime Net, Inc.
Aetna Life Insurance Company	Prodigy Health Group, Inc.
Aetna Risk Assurance Company of Connecticut, Inc.	Professional Risk Management, Inc.
Aetna Student Health Agency Inc.	Resources for Living, LLC
AHP Holdings, Inc.	Schaller Anderson Medical Administrators, Incorporated
Allviant Corporation	Strategic Resource Company
American Health Holding, Inc.	The Vasquez Group Inc.
AUSHC Holdings, Inc.	U.S. Health Care Properties, Inc.
Broadspire National Services, Inc.	Work and Family Benefits, Inc.

As explained in Note 2, the Company participates in a tax sharing agreement with its parent and affiliates.

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Company is subject to Louisiana premium taxes. Premium tax expenses were recorded in general administrative expenses in the Statutory Statements of Revenue and Expenses. Premium tax expenses were $23,560,150 and $3,813,410 for the years ended December 31, 2016 and 2015, respectively. The Company had premium taxes payable of $19,234,270 and $3,813,410 at December 31, 2016 and 2015, respectively, which was recorded as general expenses due or accrued in the Statutory Statements of Liabilities.

10. Reinsurance

Effective February 1, 2016, the Company and Berkley Life and Health Insurance Company ("Berkley") entered into an excess loss reinsurance agreement for Medicaid only dual eligible members. Under this agreement, Berkley is liable for 90% of covered expenses in excess of the specific deductible of $350,000 per covered member, with a maximum reimbursement of $5,000,000 per member per agreement year. The Company paid reinsurance premiums of $574,667 in 2016 and $282,984 in 2015. In 2016, the Company realized reinsurance recoveries of $467,279. The Company had no reinsurance recoveries in 2015.

11. Change in claims unpaid, unpaid claims adjustment expense, and aggregate health claim reserves

The following table shows the components of the change in claims unpaid, unpaid claims adjustment expense and aggregate health claim reserves for the years ended December 31, 2016 and 2015:

	2016	2015
Balance, January 1	$46,407,227	-
Health care receivable	-	-
Balance, January 1, net of health care receivable	46,407,227	-
Incurred related to:		
Current year	394,571,509	$179,314,803
Prior years	(11,374,995)	-
Total incurred	383,196,514	179,314,803
Paid related to:		
Current year	286,666,821	132,907,576
Prior years	33,232,768	-
Total paid	319,899,589	132,907,576
Balance, December 31, net of health care receivable	109,704,152	46,407,227
Health care receivable	1,001,642	-
Balance, December 31	$110,705,794	$46,407,227

In 2016, reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years decreased by $11,374,995 from $46,407,227 in 2015 to $35,032,232 in 2016. The lower than anticipated health care cost trend rates observed in 2016 for claims incurred in 2015 were generally due to the result of ongoing analysis of recent loss development trends. Health care cost trend rates observed in 2016 for claims incurred in 2015 were generally consistent with expectations. The Company considers historical trend rates together with knowledge of recent events that may impact current trends when developing estimates of current trend rates. Original estimates are increased or decreased as additional information becomes known regarding individual claims. Historical health care cost trend rates are not necessarily representative of current trends.

Net coordination of benefits is implicit in the claims incurred but not reported calculation and could not be specifically identified.

12. Capital and surplus, shareholder's dividend restrictions and quasi-reorganizations

The Company had 10,000 shares of common stock with no par value authorized, with 1,000 shares issued and outstanding at December 31, 2016 and 2015.

The Company did not have any preferred stock outstanding at December 31, 2016 and 2015.

Dividend restrictions

No domestic stock insurer shall declare and pay any dividends to its stockholders unless its capital is fully paid in cash and is unimpaired and it has a surplus beyond its capital stock and the initial minimum surplus required and all other liabilities equal to fifteen percent of its capital stock, provided that this restriction shall not apply to an insurer when its paid-in capital and surplus exceed the minimum required by the Louisiana Department Code by one hundred percent or more.

At December 31, 2016 and 2015, there was no portion of the Company's profits that may be paid as ordinary dividends to stockholders.

The Company did not pay any dividends in 2016 or 2015. The Company received capital contributions in the amounts of $10,000,000, $20,000,000 and $20,000,000 from its parent on March 30, June 29 and September 28, 2016, respectively. The Louisiana Department approved these transactions on March 30, June 29 and September 28, 2016, respectively. The Company received capital contributions in the amounts of $24,000,000 and $10,000,000 from its parent on December 28 and March 31, 2015, respectively. The Louisiana Department approved these transactions on December 28 and March 30, 2015, respectively.

There were no restrictions placed on the Company's surplus, including for whom the surplus was being held at December 31, 2016 or 2015, except as noted in Note 14.

The Company did not hold any stock for any special purposes at December 31, 2016 or 2015.

Changes in the balances of special surplus funds from the prior year are due to the accrual of estimated ACA health insurer fees reclassified from unassigned funds or surplus to aggregate write-ins for special surplus funds as discussed more fully in Notes 2 and 18.

At December 31, 2016 and 2015, there was no portion of unassigned funds or surplus that was represented or reduced by unrealized gains and losses.

The Company did not have any special surplus funds or surplus notes at December 31, 2016 or 2015.

13. Contingencies

Litigation and Regulatory Proceedings

The following description of litigation and regulatory proceedings covers Aetna Inc. and certain of its subsidiaries, including the Company (collectively, "we", "our" or "us"). Certain of the proceedings described below may not impact the Company directly but may have an indirect impact on the Company as the Company is a member of the Aetna holding company group.

Out-of-Network Benefit Proceedings

We are named as a defendant in several purported class actions and individual lawsuits arising out of our practices related to the payment of claims for services rendered to our members by health care providers with whom we do not have a contract ("out-of-network providers"). Among other things, these lawsuits allege that we paid too little to our health plan members and/or providers for these services, among other reasons, because of our use of data provided by Ingenix, Inc., a subsidiary of one of our competitors ("Ingenix"). Other major health insurers are the subject of similar litigation or have settled similar litigation.

Various plaintiffs who are health care providers or medical associations seek to represent nationwide classes of out-of-network providers who provided services to our members during the period from 2001 to the present. Various plaintiffs who are members in our health plans seek to represent nationwide classes of our members who received services from out-of-network providers during the period from 2001 to the present. Taken together, these lawsuits allege that we violated state law, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the Racketeer Influenced and Corrupt Organizations Act ("RICO") and federal antitrust laws, either acting alone or in concert with our competitors. The purported classes seek reimbursement of all unpaid benefits, recalculation and repayment of deductible and coinsurance amounts, unspecified damages and treble damages, statutory penalties, injunctive and declaratory relief, plus interest, costs and attorneys' fees, and seek to disqualify us from acting as a fiduciary of any benefit plan that is subject to ERISA. Individual lawsuits that generally contain similar allegations and seek similar relief have been brought by health plan members and out-of-network providers.

The first class action case was commenced on July 30, 2007. The federal Judicial Panel on Multi-District Litigation (the "MDL Panel") has consolidated these class action cases in the U.S. District Court for the District of New Jersey (the "New Jersey District Court") under the caption *In re: Aetna UCR Litigation*, MDL No. 2020 ("MDL 2020"). In addition, the MDL Panel has transferred the individual lawsuits to MDL 2020. On May 9, 2011, the New Jersey District Court dismissed the physician plaintiffs from MDL 2020 without prejudice. The New Jersey District Court's action followed a ruling by the United States District Court for the Southern District of Florida (the "Florida District Court") that the physician plaintiffs were enjoined from participating in MDL 2020 due to a prior settlement and release. The United States Court of Appeals for the Eleventh Circuit has dismissed the physician plaintiffs' appeal of the Florida District Court's ruling.

On December 6, 2012, we entered into an agreement to settle MDL 2020. Under the terms of the proposed nationwide settlement, we would have been released from claims relating to our out-of-network reimbursement practices from the beginning of the applicable settlement class period through August 30, 2013. The settlement agreement did not contain an admission of wrongdoing. The medical associations were not parties to the settlement agreement.

Under the settlement agreement, we would have paid up to $120 million to fund claims submitted by health plan members and health care providers who were members of the settlement classes. These payments also would have funded the legal fees of plaintiffs' counsel and the costs of administering the settlement. In connection with the proposed settlement, Aetna recorded an after tax charge to net income of approximately $78.0 million in the fourth quarter of 2012.

The settlement agreement provided us the right to terminate the agreement under certain conditions related to settlement class members who opted out of the settlement. Based on a report provided to the parties by the settlement administrator, the conditions permitting us to terminate the settlement agreement were satisfied. On March 13, 2014, we notified the New Jersey District Court and plaintiffs' counsel that we were terminating the settlement agreement. Various legal and factual developments since the date of the settlement agreement led us to believe terminating the settlement agreement was in our best interests. As a result of this termination, we released the reserve established in connection with the settlement agreement, net of amounts due to the settlement administrator, which reduced first quarter 2014 other general and administrative expenses of Aetna Inc. by $67.0 million ($103.0 million pretax). There was no after-tax charge to net income for the Company associated to the proposed settlement.

On June 30, 2015, the New Jersey District Court granted in part our motion to dismiss the proceeding. The New Jersey District Court dismissed with prejudice the plaintiffs' RICO and federal antitrust claims; their ERISA claims that are based on our disclosures and our purported breach of fiduciary duties; and certain of their state law claims. The New Jersey District Court also dismissed with prejudice all claims asserted by several medical association plaintiffs. The plaintiffs' remaining claims are for ERISA benefits and breach of contract. We intend to defend ourselves vigorously against the plaintiffs' remaining claims.

We also have received subpoenas and/or requests for documents and other information from, and been investigated by, attorneys general and other state and/or federal regulators, legislators and agencies relating to, and we are involved in other litigation regarding, our out-of-network benefit payment and administration practices. It is reasonably possible that others could initiate additional litigation or additional regulatory action against us with respect to our out-of-network benefit payment and/or administration practices.

Other Litigation and Regulatory Proceedings

We are involved in numerous other lawsuits arising, for the most part, in the ordinary course of our business operations, including claims of or relating to bad faith, medical malpractice, non-compliance with state and federal regulatory regimes, marketing misconduct, failure to timely or appropriately pay or administer claims and benefits in our Health Care and Group Insurance businesses (including our post-payment audit and collection practices and reductions in payments to providers due to sequestration), provider network structure (including the use of performance-based networks and termination of provider contracts), provider directory accuracy, rescission of insurance coverage, improper disclosure of personal information, anticompetitive practices, patent infringement and other intellectual property litigation, other legal proceedings in our Health Care and Group Insurance businesses and employment litigation. Some of these other lawsuits are or are purported to be class actions. We intend to defend ourselves vigorously against the claims brought in these matters.

Awards to us and others of certain government contracts, particularly Medicaid contracts and contracts with government customers in our commercial business, are subject to increasingly frequent protests by unsuccessful bidders. These protests may result in awards to us being reversed, delayed or modified. The loss or delay in implementation of any government contract could adversely affect our operating results. We will continue to defend vigorously contract awards we receive.

In addition, our operations, current and past business practices, current and past contracts, and accounts and other books and records are subject to routine, regular and special investigations, audits, examinations and reviews by, and from time to time we receive subpoenas and other requests for information from, the Centers for Medicare and Medicaid Services ("CMS"), the U.S. Department of Health and Human Services, various state insurance and health care regulatory authorities, state attorneys general, treasurers and offices of inspector general, the Center for Consumer Information and Insurance Oversight, OIG, the Office of Personnel Management, the U.S. Department of Labor, the U.S. Department of the Treasury, the U.S. Food and Drug Administration, committees, subcommittees and members of the U.S. Congress, the U.S. Department of Justice, the Federal Trade Commission, U.S. attorneys and other state, federal and international governmental authorities. These government actions include inquiries by, and testimony before, certain members, committees and subcommittees of the U.S. Congress regarding our withdrawal from certain states' health insurance exchanges ("Public Exchanges") for 2017, certain of our current and past business practices, including our overall claims processing and payment practices, our business practices with respect to our small group products, student health products or individual customers (such as market withdrawals, rating information, premium increases and medical benefit ratios), executive compensation matters and travel and entertainment expenses, as well as the investigations by, and subpoenas and requests from, attorneys general and others described above under "*Out-of-Network Benefit Proceedings*."

There also continues to be a heightened level of review and/or audit by regulatory authorities of, and increased litigation regarding, our and the rest of the health care and related benefits industry's business and reporting practices, including premium rate increases, utilization management, development and application of medical policies, complaint, grievance and appeal processing, information privacy, provider network structure (including provider network adequacy, the use of performance-based networks and termination of provider contracts), provider directory accuracy, calculation of minimum medical loss ratios and/or payment of related rebates, delegated arrangements, rescission of insurance coverage, limited benefit health products, student health products, pharmacy benefit management practices (including the use of narrow networks and the placement of drugs in formulary tiers), sales practices, customer service practices, vendor oversight and claim payment practices (including payments to out-of-network providers and payments on life insurance policies).

As a leading national health and related benefits company, we regularly are the subject of government actions of the types described above. These government actions may prevent or delay us from implementing planned premium rate increases and may result, and have resulted, in restrictions on our business, changes to or clarifications of our business practices, retroactive adjustments to premiums, refunds or other payments to members, beneficiaries, states or the federal government, withholding of premium payments to us by government agencies, assessments of damages, civil or criminal fines or penalties, or other sanctions, including the possible suspension or loss of licensure and/or suspension or exclusion from participation in government programs.

Estimating the probable losses or a range of probable losses resulting from litigation, government actions and other legal proceedings is inherently difficult and requires an extensive degree of judgment, particularly where the matters involve indeterminate claims for monetary damages, involve claims for injunctive relief, may involve fines, penalties or punitive damages that are discretionary in amount, involve a large number of claimants or regulatory authorities, represent a change in regulatory policy, present novel legal theories, are in the early stages of the proceedings, are subject to appeal or could result in changes in business practices. In addition, because most legal proceedings are resolved over long periods of time, potential losses are subject to change due to, among other things, new developments, changes in litigation strategy, the outcome of intermediate procedural and substantive rulings and other parties' settlement posture and their evaluation of the strength or weakness of their case against us. Except as specifically noted above under "*Other Litigation and Regulatory Proceedings*," we are currently unable to predict the ultimate outcome of, or reasonably estimate the losses or a range of losses resulting from, the matters described above, and it is reasonably possible that their outcome could be material to us.

Litigation exposure coverage

Effective March 1, 2016, the Company has coverage for certain litigation exposures ($10,000,000 per claim and in the aggregate including defense costs) through an unaffiliated insurance company.

Health Care Reform

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, "Health Care Reform" or "ACA"), has made broad-based changes to the U.S. health care system. On January 20, 2017, the President signed an executive order that gives the regulatory agencies that enforce the ACA the authority to interpret regulations issued under the ACA in a way that limits fiscal burdens on states and financial or regulatory burdens on individuals, providers, health insurers and others. The practical implications of that order are unclear, and the future of the ACA is uncertain. While we anticipate efforts in 2017 and beyond to substantially modify, repeal or replace the ACA, the Company expects aspects of the ACA to continue to significantly impact the Company's business operations and operating results, including the Company's pricing, medical benefit ratios and the geographies in which the Company's products are available. Health Care Reform has presented the Company with business opportunities, but also with financial and regulatory challenges. Most of the ACA's key components were phased in during or prior to 2014, including Public Exchanges, required minimum MLRs in commercial and Medicare products, the individual coverage mandate, guaranteed issue, rating limits in individual and small group products, significant new industry-wide fees, assessments and taxes, enhanced premium rate review and disclosure processes, reduced Medicare Advantage payment rates to insurers, and linking Medicare Advantage payments to a plan's CMS quality performance ratings or "star ratings." The effects of these changes are reflected in the Company's operating results. If the ACA is not amended, repealed or replaced, certain of its components will continue to be phased in until 2020.

The Company has dedicated and expects to continue to be required to dedicate significant resources and incur significant expenses during 2017 to implement and comply with Health Care Reform and changes in Health Care Reform as well as state level health care reform. While most of the significant aspects of Health Care Reform became effective during or prior to 2014, significant parts of Health Care Reform, including aspects of nondiscrimination requirements, continue to evolve through the promulgation of executive orders, regulations and guidance. Additional changes to Health Care Reform and those regulations and guidance at the federal and/or state level are likely, and those changes are likely to be significant. Growing state and federal budgetary pressures make it more likely that any changes, including changes at the state level in response to changes to, or repeal or replacement of, Health Care Reform and/or changes in the funding levels and/or payment mechanisms of federally supported benefit programs, will be adverse to us. Given the inherent difficulty of foreseeing the nature and scope of future changes to Health Care Reform and how states, businesses and individuals will respond to those changes, the Company cannot predict the impact to the Company of future changes to Health Care Reform. It is reasonably possible that repeal or replacement of or other changes to Health Care Reform and/or states' responses to such changes, in the aggregate, could have a significant adverse effect on the Company's business operations and financial results.

Potential repeal of Health Care Reform, ongoing legislative and regulatory changes to Health Care Reform, other pending efforts in the U.S. Congress to amend or restrict funding for various aspects of Health Care Reform (including risk corridors and Health Care Reform's Cost Sharing Subsidy program), the results of the 2016 presidential, congressional and state level elections, pending litigation challenging aspects of the law and federal budget negotiations continue to create uncertainty about the ultimate impact of Health Care Reform. Examples of recent legislative and regulatory changes include: the January 20, 2017 executive order relating to Health Care Reform; the November 2016 HHS announcement that risk corridor collections for the 2015 program year will be applied first to amounts owed to plans for the 2014 program year; the May 2016 final regulations relating to Health Care Reform's non-discrimination requirements; the December 2015 suspension of the health insurer fee for 2017 and two year delay of the "Cadillac" tax on high-cost employer-sponsored health coverage; the October 2015 PACE, which leaves groups with 51 to 100 employees within the large group category for each state unless the state exercises its option to include these groups within the small group category; and the October 2015 HHS announcement that Health Care Reform's risk corridor receivables for the 2014 program year would only be funded at 12.6%. With respect to pending litigation, in May 2016, the U.S. District Court for the District of Columbia ruled that the U.S. Department of Health and Human Services does not have the authority to make payments under Health Care Reform's Cost Sharing Subsidy program. Implementation of this decision has been stayed pending appeal. A final ruling that adversely impacts the Cost Sharing Subsidy program could cause significant adverse selection in individual Public Exchange products and instability in the individual Public Exchange marketplace and could have a material adverse effect on the Company's business, cash flows, financial condition and operating results as well as hinder the Company's ability to offer Public Exchange products.

As described above, the availability of funding for the ACA's temporary risk corridor program is an example of this uncertainty. The Company continues to believe that receipt of any risk corridor payment from HHS for the 2016 or 2015 program year and receipt of such payments in excess of the announced prorated amount for the 2014 program year are uncertain. At December 31, 2016, the Company had no receivable for the remaining 2014 program year prorated amount that had not been collected from HHS and had no receivable for either of the 2015 or 2016 program years. In addition, these limited risk corridor payments created additional instability in the marketplace for individual commercial products in 2016 and going forward by contributing to decisions by health plans to change or stop offering their Public Exchange products. 2016 was the last program year for Health Care Reform's risk corridor program. On-going uncertainty regarding the funding of Health Care Reform-related programs and subsidies can be expected to create additional instability in the marketplace.

In addition to efforts to amend, repeal or replace Health Care Reform and the related regulations, the federal and state governments also continue to enact and seriously consider many other broad-based legislative and regulatory proposals that have had a material impact on or could materially impact various aspects of the health care and related benefits system and the Company's business. The Company cannot predict whether pending or future federal or state legislation or court proceedings, including future U.S. Congressional appropriations, will change various aspects of the health care and related benefits system or Health Care Reform or the impact those changes will have on the Company's business operations or operating results, but the effects could be materially adverse.

In addition, Health Care Reform ties a portion of each Medicare Advantage plans' reimbursement to the achievement of favorable CMS quality performance measures ("star ratings"). Since 2015, only Medicare Advantage plans with an overall star rating of four or more stars (out of five stars) are eligible for a quality bonus in their basic premium rates. As a result, the Company's Medicare Advantage plans' operating results in 2017 and going forward will be significantly affected by their star ratings.

14. Minimum capital and surplus

Pursuant to the laws of Louisiana, each health maintenance organization shall establish prior to the issuance of any certificate of authority, and shall maintain as long as it does business in Louisiana as a health maintenance organization, capital and surplus in the amount of three million dollars. At December 31, 2016 and 2015, the Company's capital and surplus exceeded all such requirements.

The NAIC and the State of Louisiana adopted risk-based capital ("RBC") standards for health organizations, including HMOs, that are designed to identify weakly capitalized companies by comparing each company's adjusted capital and surplus to its required capital and surplus (the "RBC Ratio"). The RBC Ratio is designed to reflect the risk profile of the company. Within certain ratio ranges, regulators have increasing authority to take action as the RBC Ratio decreases. There are four levels of regulatory action, ranging from requiring insurers to submit a comprehensive plan to the state insurance commissioner to requiring the state insurance commissioner to place the insurer under regulatory control. At December 31, 2016 and 2015, the Company had capital and surplus that exceeded the highest threshold specified by the RBC rules.

15. Medicaid

The Company's Medicaid and dual eligible products also are heavily regulated by CMS and state Medicaid agencies, which have the right to audit the Company's performance to determine compliance with CMS contracts and regulations. The Company's Medicaid products, dual eligible products and Children's Health Insurance Program ("CHIP") contracts also are subject to complex federal and state regulations and oversight by state Medicaid agencies regarding the services the Company provides to Medicaid enrollees, payment for those services, network requirements (including mandatory inclusion of specified high-cost providers), and other aspects of these programs, and by external review organizations which audit Medicaid plans on behalf of the state Medicaid agencies. The laws, regulations and contractual requirements applicable to the Company and other participants in Medicaid and dual eligible programs, including requirements that the Company submit encounter data to the applicable state agency, are extensive, complex and subject to change. The Company has invested significant resources to comply with these standards, and the Company's Medicaid and dual eligible program compliance efforts will continue to require significant resources. CMS and/or state Medicaid agencies may fine the Company, withhold payments to the Company, seek premium and other refunds, terminate the Company's existing contracts, elect not to award the Company new contracts or renew existing contracts, prohibit the Company from continuing to market and/or enroll members in or refuse to automatically assign members to one or more of the Company's Medicaid or dual eligible products, exclude the Company from participating in one or more Medicaid or dual eligible programs and/or institute other sanctions against the Company if it fails to comply with CMS or state regulations or the Company's contractual requirements. The Company cannot predict whether pending or future federal or state legislation or court proceedings will change various aspects of the Medicaid program, nor can it predict the impact those changes will have on its business operations or financial results, but the effects could be materially adverse.

16. Accounting for the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010's (collectively, "Health Care Reform") Reinsurance, Risk Adjustment and Risk Corridor (the "3Rs") pursuant to SSAP No. 107 and INT 15-01: ACA Risk Corridors Collectibility ("INT 15-01")

Reinsurance

Health Care Reform established a temporary reinsurance program that expired at the end of 2016. Under this program, all issuers of major medical commercial insurance products and self-insured plan sponsors are required to contribute funding in amounts set by the U.S. Department of Health and Human Services ("HHS"). A portion of the funds collected will be utilized to reimburse issuers' high claims costs incurred for qualified individual members. The expense related to this required funding is reflected in insurance, taxes, licenses and fees for all of the Company's insurance products with the exception of products associated with qualified individual members; this expense for qualified individual members is reflected as a reduction of premium revenue. When annual claim costs incurred by the Company's qualified individual members exceed a specified attachment point, the Company is entitled to certain reimbursements from this program. The Company records amounts recoverable for claims paid and unpaid and ceded claim benefit recoveries to reflect its estimate of these recoveries. At December 31, 2016 and 2015, the Company did not record a payable or a receivable under the temporary three-year reinsurance program.

Risk Adjustment

Health Care Reform established a permanent risk adjustment program to transfer funds from qualified individual and small group insurance plans with below average risk scores to plans with above average risk scores. Based on the risk of the Company's qualified plan members relative to the average risk of members of other qualified plans in comparable markets, the Company estimates its ultimate risk adjustment receivable or payable for the current calendar year and reflects the impact as an adjustment to its premium revenue. At December 31, 2016 and 2015, the Company did not record a payable or a receivable under the risk adjustment program.

Risk Corridor

Health Care Reform established a temporary risk sharing program, which expires at the end of 2016, for qualified individual and small group insurance plans. Under this program the Company makes (or receives) a payment to (or from) HHS based on the ratio of allowable costs to target costs (as defined by Health Care Reform). The Company records a risk corridor receivable or payable as an adjustment to premium revenue based on the Company's estimate of the ultimate risk sharing amount for the current calendar year. In October 2015, HHS announced that 2014 Health Care Reform risk corridor receivables would be funded at 12.6% to the extent HHS fully collects risk corridor payables. In November 2015, INT 15-01 was issued as guidance to address the accounting for risk corridor receivables. In conjunction with this guidance, the Company recorded a risk corridor receivable at December 31, 2015 that coincided with the portion of the 2014 Health Care Reform risk corridor receivables that were considered collectible. The Company currently has not recorded any risk corridor receivables for the 2016 and 2015 program years or any amount in excess of HHS's announced pro-rated funding amount for the 2014 program year because payments from HHS are uncertain. The Company currently has not recorded any risk corridor receivables for the 2016 and 2015 program years.

The Company expects to perform an annual final reconciliation and settlement with HHS of the 3Rs in each subsequent year.

17. Reconciliation to statutory financial statements as filed with the Louisiana Department

The Company's nonadmitted health care receivables were understated on the statutory financial statements for December 31, 2016.

The following is a reconciliation of December 31, 2016 total assets as reflected in the accompanying Statutory Statements of Assets to amounts reported to the Louisiana Department (statutory reports) in the Company's 2016 annual statement:

Total assets as reflected in the accompanying Statutory Statements of Assets	$211,776,587
Decrease in health care receivables	2,119,801
Total assets as reported in the annual statement	$213,896,388

The following is a reconciliation of December 31, 2016 capital and surplus as reflected in the accompanying Statutory Statements of Liabilities, Capital and Surplus to amounts reported to the Louisiana Department (statutory reports) in the Company's 2016 annual statement:

Capital and surplus as reflected in the accompanying Statutory Statements of Liabilities, Capital and Surplus	$62,968,453
Increase in nonadmitted health care receivables	2,119,801
Statutory capital and surplus as reported in the annual statement	$65,088,254

The Company's federal and foreign income tax benefits incurred were understated on the statutory financial statements for December 31, 2015.

The following is a reconciliation of December 31, 2015 total assets as reflected in the accompanying Statutory Statements of Assets to amounts reported to the Louisiana Department (statutory reports) in the Company's 2015 annual statement:

Total assets as reflected in the accompanying Statutory Statements of Assets	$88,435,077
Increase in current federal and foreign income tax recoverable and interest thereon	1,009,750
Total assets as reported in the annual statement	$89,444,827

The following is a reconciliation of December 31, 2015 capital and surplus as reflected in the accompanying Statutory Statements of Liabilities, Capital and Surplus to amounts reported to the Louisiana Department (statutory reports) in the Company's 2015 annual statement:

Capital and surplus as reflected in the accompanying Statutory Statements of Liabilities, Capital and Surplus	$23,494,662
Increase in current federal and foreign tax recoverable and interest thereon	1,009,750
Statutory capital and surplus as reported in the annual statement	$24,504,412

The following is a reconciliation of December 31, 2015 net loss as reflected in the accompanying Statutory Statements of Revenue and Expenses to amounts reported to the Louisiana Department (statutory reports) in the Company's 2015 annual statement:

Net loss as reflected in the accompanying Statutory Statements of Revenue and Expenses	$(12,882,761)
Increase in federal and foreign income tax benefits incurred	1,009,750
Statutory net loss as reported in the annual statement	$(11,873,011)

18. Subsequent events

Type I - Recognized subsequent events

Subsequent events have been considered through June 1, 2017.

The Company had no known reportable recognized subsequent events.

Type II - Nonrecognized subsequent events

Subsequent events have been considered through June 1, 2017.

As discussed in Note 2, in December 2015, the Consolidated Appropriation Act was enacted which included a one year suspension in 2017 of the health insurer fee. As a result, there is no annual health insurance industry fee payable on September 30, 2017 and there are no amounts reflected in the Company's aggregate write-ins for special surplus funds related to this payable at December 31, 2016 as a result. There is also no resulting impact to the Company's RBC to assess as of December 31, 2016 as a result of this suspension. As of December 31, 2015, the Company estimated its portion of the annual health industry fee that was payable on September 30, 2016 to be $3,290,000. This was estimated based on premiums written subject to the ACA assessment of $180,946,342. During 2016, the Company paid $3,230,480 to the federal government for its portion of the health insurer fee due on September 30, 2016.

SUPPLEMENTAL INFORMATION

15616201628500100

SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For The Year Ended December 31, 2016
(To Be Filed by April 1)

Of The Aetna Better Health, Inc. (a Louisiana corporation)

ADDRESS (City, State and Zip Code) Kenner , LA 70062

NAIC Group Code 0001 NAIC Company Code 15616 Federal Employer's Identification Number (FEIN) 80-0629718

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. $ 211,776,587

2. Ten largest exposures to a single issuer/borrower/investment.

	1 Issuer	2 Description of Exposure	3 Amount	4 Percentage of Total Admitted Assets
2.01	LOUISIANA STATE REF-SER B	Bond	$ 8,097,059	3.8 %
2.02	DOUGLAS CNTY NE SCH DIST 1	Bond	$ 4,620,819	2.2 %
2.03	COLUMBIA DIST OF SER D	Bond	$ 4,449,232	2.1 %
2.04	LOUISIANA PUB FACS AUTH REV VAR COCA COLA BOTTLING CO	Bond	$ 4,400,000	2.1 %
2.05	ALABAMA ECON SETTLEMENT AUTH BP SETTLEMENT REV-SER A	Bond	$ 4,376,736	2.1 %
2.06	NEW YORK ST DORM AUTH ST SER A	Bond	$ 2,687,902	1.3 %
2.07	WHITNEY BANK	Bond	$ 250,000	0.1 %
2.08	CAPITAL ONE	Bond	$ 250,000	0.1 %
2.09	LIBERTY BANK AND TRUST	Bond	$ 250,000	0.1 %
2.10	CITIZENS BANK	Short Term	$ 250,000	0.1 %

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2		Preferred Stocks	3	4
3.01	NAIC-1	$ 158,472,723	74.8 %	3.07	P/RP-1	$ 0	0.0 %
3.02	NAIC-2	$ 0	0.0 %	3.08	P/RP-2	$ 0	0.0 %
3.03	NAIC-3	$ 0	0.0 %	3.09	P/RP-3	$ 0	0.0 %
3.04	NAIC-4	$ 0	0.0 %	3.10	P/RP-4	$ 0	0.0 %
3.05	NAIC-5	$ 0	0.0 %	3.11	P/RP-5	$ 0	0.0 %
3.06	NAIC-6	$ 0	0.0 %	3.12	P/RP-6	$ 0	0.0 %

4. Assets held in foreign investments:

4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

4.02	Total admitted assets held in foreign investments	$ 0	0.0 %
4.03	Foreign-currency-denominated investments	$ 0	0.0 %
4.04	Insurance liabilities denominated in that same foreign currency	$ 0	0.0 %

See accompanying independent auditors' report.

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

		1	2
5.01	Countries designated NAIC-1	$ 0	0.0 %
5.02	Countries designated NAIC-2	$ 0	0.0 %
5.03	Countries designated NAIC-3 or below	$ 0	0.0 %

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC - 1:		
6.01	Country 1:	$ 0	0.0 %
6.02	Country 2:	$ 0	0.0 %
	Countries designated NAIC - 2:		
6.03	Country 1:	$ 0	0.0 %
6.04	Country 2:	$ 0	0.0 %
	Countries designated NAIC - 3 or below:		
6.05	Country 1:	$ 0	0.0 %
6.06	Country 2:	$ 0	0.0 %

		1	2
7.	Aggregate unhedged foreign currency exposure	$ 0	0.0 %

8. Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation:

		1	2
8.01	Countries designated NAIC-1	$ 0	0.0 %
8.02	Countries designated NAIC-2	$ 0	0.0 %
8.03	Countries designated NAIC-3 or below	$ 0	0.0 %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

		1	2
	Countries designated NAIC - 1:		
9.01	Country 1:	$ 0	0.0 %
9.02	Country 2:	$ 0	0.0 %
	Countries designated NAIC - 2:		
9.03	Country 1:	$ 0	0.0 %
9.04	Country 2:	$ 0	0.0 %
	Countries designated NAIC - 3 or below:		
9.05	Country 1:	$ 0	0.0 %
9.06	Country 2:	$ 0	0.0 %

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	1 Issuer	2 NAIC Designation	3	4
10.01			$ 0	0.0 %
10.02			$ 0	0.0 %
10.03			$ 0	0.0 %
10.04			$ 0	0.0 %
10.05			$ 0	0.0 %
10.06			$ 0	0.0 %
10.07			$ 0	0.0 %
10.08			$ 0	0.0 %
10.09			$ 0	0.0 %
10.10			$ 0	0.0 %

See accompanying independent auditors' report.

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

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

		1	2
11.02	Total admitted assets held in Canadian investments	$ 0	0.0 %
11.03	Canadian-currency-denominated investments	$ 0	0.0 %
11.04	Canadian-denominated insurance liabilities	$ 0	0.0 %
11.05	Unhedged Canadian currency exposure	$ 0	0.0 %

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

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1	2	3
12.02	Aggregate statement value of investments with contractual sales restrictions	$ 0	0.0 %
	Largest three investments with contractual sales restrictions:		
12.03		$ 0	0.0 %
12.04		$ 0	0.0 %
12.05		$ 0	0.0 %

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

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1 Issuer	2	3
13.02		$ 0	0.0 %
13.03		$ 0	0.0 %
13.04		$ 0	0.0 %
13.05		$ 0	0.0 %
13.06		$ 0	0.0 %
13.07		$ 0	0.0 %
13.08		$ 0	0.0 %
13.09		$ 0	0.0 %
13.10		$ 0	0.0 %
13.11		$ 0	0.0 %

See accompanying independent auditors' report.

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

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1	2	3
14.02	Aggregate statement value of investments held in nonaffiliated, privately placed equities	$ 0	0.0 %
	Largest three investments held in nonaffiliated, privately placed equities:		
14.03		$ 0	0.0 %
14.04		$ 0	0.0 %
14.05		$ 0	0.0 %

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

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1	2	3
15.02	Aggregate statement value of investments held in general partnership interests	$ 0	0.0 %
	Largest three investments in general partnership interests:		
15.03		$ 0	0.0 %
15.04		$ 0	0.0 %
15.05		$ 0	0.0 %

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

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1 Type (Residential, Commercial, Agricultural)	2	3
16.02		$ 0	0.0 %
16.03		$ 0	0.0 %
16.04		$ 0	0.0 %
16.05		$ 0	0.0 %
16.06		$ 0	0.0 %
16.07		$ 0	0.0 %
16.08		$ 0	0.0 %
16.09		$ 0	0.0 %
16.10		$ 0	0.0 %
16.11		$ 0	0.0 %

See accompanying independent auditors' report.

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

		Loans	
16.12	Construction loans	$ 0	0.0 %
16.13	Mortgage loans over 90 days past due	$ 0	0.0 %
16.14	Mortgage loans in the process of foreclosure	$ 0	0.0 %
16.15	Mortgage loans foreclosed	$ 0	0.0 %
16.16	Restructured mortgage loans	$ 0	0.0 %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

		Residential		Commercial		Agricultural	
	Loan to Value	1	2	3	4	5	6
17.01	above 95%	$ 0	0.0 %	$ 0	0.0 %	$ 0	0.0 %
17.02	91 to 95%	$ 0	0.0 %	$ 0	0.0 %	$ 0	0.0 %
17.03	81 to 90%	$ 0	0.0 %	$ 0	0.0 %	$ 0	0.0 %
17.04	71 to 80%	$ 0	0.0 %	$ 0	0.0 %	$ 0	0.0 %
17.05	below 70%	$ 0	0.0 %	$ 0	0.0 %	$ 0	0.0 %

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

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

Largest five investments in any one parcel or group of contiguous parcels of real estate.

	Description 1	2	3
18.02		$ 0	0.0 %
18.03		$ 0	0.0 %
18.04		$ 0	0.0 %
18.05		$ 0	0.0 %
18.06		$ 0	0.0 %

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

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes [X] No [ ]

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

	1	2	3
19.02	Aggregate statement value of investments held in mezzanine real estate loans:	$ 0	0.0 %
	Largest three investments held in mezzanine real estate loans:		
19.03		$ 0	0.0 %
19.04		$ 0	0.0 %
19.05		$ 0	0.0 %

See accompanying independent auditors' report.

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

		At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	$ 0	0.0 %	$ 0	$ 0	$ 0
20.02	Repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.03	Reverse repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.04	Dollar repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0
20.05	Dollar reverse repurchase agreements	$ 0	0.0 %	$ 0	$ 0	$ 0

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

		Owned 1	Owned 2	Written 3	Written 4
21.01	Hedging	$ 0	0.0 %	$ 0	0.0 %
21.02	Income generation	$ 0	0.0 %	$ 0	0.0 %
21.03	Other	$ 0	0.0 %	$ 0	0.0 %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

		At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
22.01	Hedging	$ 0	0.0 %	$ 0	$ 0	$ 0
22.02	Income generation	$ 0	0.0 %	$ 0	$ 0	$ 0
22.03	Replications	$ 0	0.0 %	$ 0	$ 0	$ 0
22.04	Other	$ 0	0.0 %	$ 0	$ 0	$ 0

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

		At Year End 1	At Year End 2	At End of Each Quarter 1st Quarter 3	2nd Quarter 4	3rd Quarter 5
23.01	Hedging	$ 0	0.0 %	$ 0	$ 0	$ 0
23.02	Income generation	$ 0	0.0 %	$ 0	$ 0	$ 0
23.03	Replications	$ 0	0.0 %	$ 0	$ 0	$ 0
23.04	Other	$ 0	0.0 %	$ 0	$ 0	$ 0

See accompanying independent auditors' report.

SUMMARY INVESTMENT SCHEDULE

	Investment Categories	Gross Investment Holdings 1 Amount	2 Percentage	Admitted Assets as Reported in the Annual Statement 3 Amount	4 Securities Lending Reinvested Collateral Amount	5 Total (Col. 3 + 4) Amount	6 Percentage
1.	Bonds:						
	1.1 U.S. treasury securities	101,440,817	62.293	101,440,817	0	101,440,817	62.293
	1.2 U.S. government agency obligations (excluding mortgage-backed securities):						
	1.21 Issued by U.S. government agencies	0	0.000	0	0	0	0.000
	1.22 Issued by U.S. government sponsored agencies	0	0.000	0	0	0	0.000
	1.3 Non-U.S. government (including Canada, excluding mortgaged-backed securities)	0	0.000	0	0	0	0.000
	1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :						
	1.41 States, territories and possessions general obligations	8,097,059	4.972	8,097,059	0	8,097,059	4.972
	1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	11,757,953	7.220	11,757,953	0	11,757,953	7.220
	1.43 Revenue and assessment obligations	8,776,736	5.390	8,776,736	0	8,776,736	5.390
	1.44 Industrial development and similar obligations	0	0.000	0	0	0	0.000
	1.5 Mortgage-backed securities (includes residential and commercial MBS):						
	1.51 Pass-through securities:						
	1.511 Issued or guaranteed by GNMA	0	0.000	0	0	0	0.000
	1.512 Issued or guaranteed by FNMA and FHLMC	0	0.000	0	0	0	0.000
	1.513 All other	0	0.000	0	0	0	0.000
	1.52 CMOs and REMICs:						
	1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	0	0.000	0	0	0	0.000
	1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521	0	0.000	0	0	0	0.000
	1.523 All other	0	0.000	0	0	0	0.000
2.	Other debt and other fixed income securities (excluding short-term):						
	2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	750,000	0.461	750,000	0	750,000	0.461
	2.2 Unaffiliated non-U.S. securities (including Canada)	0	0.000	0	0	0	0.000
	2.3 Affiliated securities	0	0.000	0	0	0	0.000
3.	Equity interests:						
	3.1 Investments in mutual funds	0	0.000	0	0	0	0.000
	3.2 Preferred stocks:						
	3.21 Affiliated	0	0.000	0	0	0	0.000
	3.22 Unaffiliated	0	0.000	0	0	0	0.000
	3.3 Publicly traded equity securities (excluding preferred stocks):						
	3.31 Affiliated	0	0.000	0	0	0	0.000
	3.32 Unaffiliated	0	0.000	0	0	0	0.000
	3.4 Other equity securities:						
	3.41 Affiliated	0	0.000	0	0	0	0.000
	3.42 Unaffiliated	0	0.000	0	0	0	0.000
	3.5 Other equity interests including tangible personal property under lease:						
	3.51 Affiliated	0	0.000	0	0	0	0.000
	3.52 Unaffiliated	0	0.000	0	0	0	0.000
4.	Mortgage loans:						
	4.1 Construction and land development	0	0.000	0	0	0	0.000
	4.2 Agricultural	0	0.000	0	0	0	0.000
	4.3 Single family residential properties	0	0.000	0	0	0	0.000
	4.4 Multifamily residential properties	0	0.000	0	0	0	0.000
	4.5 Commercial loans	0	0.000	0	0	0	0.000
	4.6 Mezzanine real estate loans	0	0.000	0	0	0	0.000
5.	Real estate investments:						
	5.1 Property occupied by company	0	0.000	0	0	0	0.000
	5.2 Property held for production of income (including $ 0 of property acquired in satisfaction of debt)	0	0.000	0	0	0	0.000
	5.3 Property held for sale (including $ 0 property acquired in satisfaction of debt)	0	0.000	0	0	0	0.000
6.	Contract loans	0	0.000	0	0	0	0.000
7.	Derivatives	0	0.000	0	0	0	0.000
8.	Receivables for securities	84,375	0.052	84,375	0	84,375	0.052
9.	Securities Lending (Line 10, Asset Page reinvested collateral)	0	0.000	0	XXX	XXX	XXX
10.	Cash, cash equivalents and short-term investments	31,937,171	19.612	31,937,171	0	31,937,171	19.612
11.	Other invested assets	0	0.000	0	0	0	0.000
12.	Total invested assets	162,844,111	100.000	162,844,111	0	162,844,111	100.000

See accompanying independent auditors' report.