

# Moda Health Plan, Inc.

Statutory Basis Financial Statements as of and  
for the Years Ended December 31, 2017 and 2016,  
Supplemental Schedules as of December 31, 2017,  
and Independent Auditors' Report

# MODA HEALTH PLAN, INC.

## TABLE OF CONTENTS

---

	<b>Page</b>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016:	
Statements of Admitted Assets, Liabilities and Surplus — Statutory Basis	3
Statements of Income (Loss) and Changes in Surplus — Statutory Basis	4
Statements of Cash Flows — Statutory Basis	5
Notes to Financial Statements — Statutory Basis	6-27
SUPPLEMENTAL SCHEDULES AS OF DECEMBER 31, 2017 —	
Supplemental Schedules of Certain Statutory Basis Financial Data	29-31

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of Moda Health Plan, Inc.:

We have audited the accompanying statutory-basis financial statements of Moda Health Plan, Inc. (the "Company"), which comprise the statutory-basis statements of admitted assets, liabilities and surplus as of December 31, 2017 and 2016, and the related statutory-basis statements of income (loss) and changes in surplus and of cash flows for the years then ended, and the related notes to the statutory-basis financial statements.

### **Management's Responsibility for the Statutory-Basis Financial Statements**

Management is responsible for the preparation and fair presentation of these statutory-basis financial statements in accordance with the accounting practices prescribed or permitted by the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation. 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 statutory-basis 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 statutory-basis financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory-basis financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the statutory-basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory-basis 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 Company'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 statutory-basis financial statements.

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

## **Opinion**

In our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of Moda Health Plan, Inc. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with the accounting practices prescribed or permitted by the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation described in Note 2 to the statutory-basis financial statements.

## **Basis of Accounting**

We draw attention to Note 2 of the statutory-basis financial statements, which describes the basis of accounting. As described in Note 2 to the statutory-basis financial statements, the statutory-basis financial statements are prepared by Moda Health Plan, Inc. using accounting practices prescribed or permitted by the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation. Our opinion is not modified with respect to this matter.

## **Report on Supplemental Schedules**

Our 2017 audit was conducted for the purpose of forming an opinion on the 2017 statutory-basis financial statements as a whole. The supplemental schedules of certain statutory-basis financial data as of December 31, 2017, is presented for purposes of additional analysis and is not a required part of the 2017 statutory-basis financial statements. This schedule is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. Such schedules have been subjected to the auditing procedures applied in our audit of the 2017 statutory-basis financial statements and certain additional procedures, including comparing and reconciling such schedule directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such schedules are fairly stated in all material respects in relation to the 2017 statutory-basis financial statements as a whole.

## **Restriction on Use**

Our report is intended solely for the information and use of the board of directors and the management of Moda Health Plan, Inc. and for filing with state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte + Touche LLP*

April 27, 2018

# MODA HEALTH PLAN, INC.

## STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS — STATUTORY BASIS AS OF DECEMBER 31, 2017 AND 2016

	2017	2016
<b>ADMITTED ASSETS</b>		
CASH AND INVESTED ASSETS:		
Bonds	\$ 1,439,413	\$ 13,920,140
Common stocks	39,241,244	40,561,580
Other invested assets	-	6,182,611
Cash, cash equivalents and short-term investments	<u>7,082,647</u>	<u>(2,090,428)</u>
Total cash and invested assets	47,763,304	58,573,903
INVESTMENT INCOME DUE AND ACCRUED	12,125	22,210
UNCOLLECTED PREMIUMS	4,732,822	17,800,913
ACCRUED RETROSPECTIVE PREMIUMS	41,978,932	22,337,284
AMOUNTS RECOVERABLE FROM REINSURERS	6,965,078	62,652,005
AMOUNTS RECEIVABLE RELATING TO UNINSURED PLANS	48,947,901	38,245,716
CURRENT FEDERAL INCOME TAXES RECEIVABLE	-	33,517,565
NET DEFERRED TAX ASSET	937,714	-
RECEIVABLES FROM PARENT, SUBSIDIARIES AND AFFILIATES	94,077,817	78,624,457
HEALTH CARE AND OTHER AMOUNTS RECEIVABLE	5,460,610	5,366,652
OTHER ASSETS	<u>935,058</u>	<u>47,198,978</u>
TOTAL	<u>\$ 251,811,361</u>	<u>\$ 364,339,683</u>
<b>LIABILITIES AND SURPLUS</b>		
LIABILITIES:		
Unpaid claims less ceded reinsurance of \$0 in 2017 and \$10,729,915 in 2016	\$ 72,926,300	\$ 172,516,785
Unpaid claims adjustment expenses	3,646,313	9,162,336
Aggregate health policy reserves	9,718,848	33,704,105
Premiums received in advance	9,106,972	8,474,260
General expenses due or accrued	15,744,041	15,153,037
Current federal and foreign income tax payable and interest thereon	3,925,538	-
Ceded reinsurance premiums payable	-	1,231,235
Amounts withheld or retained for the account of others	105,527	252,936
Amounts due to parent, subsidiaries and affiliates	236,196	692,351
Payable for securities	-	1,999,735
Liability for amounts held under uninsured plans	45,477,304	44,885,827
Other liabilities	<u>753,358</u>	<u>733,227</u>
Total liabilities	<u>161,640,397</u>	<u>288,805,834</u>
SURPLUS:		
Aggregate write-ins for special surplus funds	20,615,148	-
Common capital stock	2,500,000	2,500,000
Additional paid-in capital	205,303,317	197,116,862
Surplus notes	60,000,000	95,950,000
Unassigned funds deficit	<u>(198,247,501)</u>	<u>(220,033,013)</u>
Total surplus	<u>90,170,964</u>	<u>75,533,849</u>
TOTAL	<u>\$ 251,811,361</u>	<u>\$ 364,339,683</u>

See notes to financial statements — statutory basis.

# MODA HEALTH PLAN, INC.

## STATEMENTS OF INCOME (LOSS) AND CHANGES IN SURPLUS — STATUTORY BASIS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
UNDERWRITING INCOME:		
Net premium income	\$ 561,141,440	\$ 903,914,876
Hospital and medical benefits	(518,179,838)	(896,517,804)
Net reinsurance recoveries	<u>(2,818,051)</u>	<u>22,188,369</u>
Total hospital and medical expenses — net of reinsurance	(520,997,889)	(874,329,435)
Claims adjustment expenses incurred	(17,643,978)	(38,492,066)
General administrative expenses	<u>(14,558,119)</u>	<u>(44,330,725)</u>
Total underwriting deductions	<u>(553,199,986)</u>	<u>(957,152,226)</u>
Net underwriting gain (loss)	<u>7,941,454</u>	<u>(53,237,350)</u>
INVESTMENT INCOME:		
Net investment income earned	19,501,871	26,816,483
Net realized capital gains less taxes of \$294,955 in 2017 and \$151,336 in 2016	<u>20,380,929</u>	<u>6,708,858</u>
Net investment income	<u>39,882,800</u>	<u>33,525,341</u>
OTHER INCOME (EXPENSE) — Net	<u>(10,550)</u>	<u>168,218</u>
INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	47,813,704	(19,543,791)
FEDERAL INCOME TAX BENEFIT (EXPENSE)	<u>(2,724,208)</u>	<u>5,714,651</u>
NET INCOME (LOSS)	<u>\$ 45,089,496</u>	<u>\$ (13,829,140)</u>
SURPLUS — Beginning of year		
	<u>\$ 75,533,849</u>	<u>\$ 67,018,290</u>
Net income (loss)	45,089,496	(13,829,140)
Change in net unrealized capital losses less tax benefit (expense) of (\$166,905) in 2017 and \$742,144 in 2016	(3,689,446)	(21,969,714)
Change in net deferred income taxes	(135,565)	28,696,710
Change in nonadmitted assets	1,136,175	(78,870,578)
Change in surplus notes	(35,950,000)	(57,050,000)
Surplus adjustments paid in	8,186,455	129,938,281
Aggregate write-ins for gains in surplus	<u>-</u>	<u>21,600,000</u>
Net change in surplus	<u>14,637,115</u>	<u>8,515,559</u>
SURPLUS — End of year	<u>\$ 90,170,964</u>	<u>\$ 75,533,849</u>

See notes to financial statements — statutory basis.

# MODA HEALTH PLAN, INC.

## STATEMENTS OF CASH FLOWS — STATUTORY BASIS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<b>CASH FLOWS FROM OPERATIONS:</b>		
Premiums collected — Net of reinsurance	\$ 532,575,348	\$ 538,457,731
Net investment income	<u>9,978,020</u>	<u>27,157,210</u>
Total	<u>542,553,368</u>	<u>565,614,941</u>
Benefit and loss related payments	566,486,331	504,007,212
Commissions and expenses paid	47,348,578	104,423,915
Federal income taxes recovered — Net of payments	<u>(725,476)</u>	<u>(5,123,843)</u>
Total	<u>613,109,433</u>	<u>603,307,284</u>
Net cash used in operations	<u>(70,556,065)</u>	<u>(37,692,343)</u>
<b>CASH FLOWS FROM INVESTMENTS:</b>		
Proceeds from investments sold, matured or repaid:		
Bonds	15,441,175	49,765,299
Common stocks	23,767,693	20,864,892
Miscellaneous proceeds	<u>1,985,791</u>	<u>-</u>
Total investment proceeds	<u>41,194,659</u>	<u>70,630,191</u>
Cost of investments acquired:		
Bonds	(2,952,375)	(22,926,058)
Common stocks	(1,222)	(5,847,267)
Miscellaneous applications	<u>(1,999,735)</u>	<u>(53,233)</u>
Total cost of investments acquired	<u>(4,953,332)</u>	<u>(28,826,558)</u>
Net cash provided by investments	<u>36,241,327</u>	<u>41,803,633</u>
<b>CASH FLOWS FROM FINANCING AND MISCELLANEOUS SOURCES:</b>		
Surplus notes	9,568,689	-
Capital and paid in surplus	14,524,441	30,000,000
Other cash provided (applied)	<u>19,394,683</u>	<u>(3,284,781)</u>
Net cash provided by financing and miscellaneous sources	<u>43,487,813</u>	<u>26,715,219</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>	<b>9,173,075</b>	<b>30,826,509</b>
<b>CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS:</b>		
Beginning of year	<u>(2,090,428)</u>	<u>(32,916,937)</u>
End of year	<u>\$ 7,082,647</u>	<u>\$ (2,090,428)</u>
Supplemental disclosures of cash flow information for current year non-cash transactions:		
Surplus notes (Refer to Note 14)	\$ 13,953,333	

See notes to financial statements — statutory basis.

# MODA HEALTH PLAN, INC.

## NOTES TO FINANCIAL STATEMENTS — STATUTORY BASIS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

---

### 1. NATURE OF BUSINESS

Moda Health Plan, Inc. (MHP or the “Company”) was formed in 1988 as a provider of group medical insurance. The Company provides group and individual insurance plans primarily to private and public employers and individuals in the state of Oregon. Moda, Inc. (MI) is the parent company of the Company. Oregon Dental Service (ODS) is the parent company of MI. ODS was formed in 1955 by the Oregon Dental Association (ODA) as a provider of group dental plans. The Company is the parent company of BenefitHelp Solutions, Inc. (BHS), a wholly owned subsidiary formed in 1994 as a third-party administrator; ODS Community Health, Inc. (ODSCH), a wholly owned subsidiary formed in 2003 that owns a 29% interest in Eastern Oregon Coordinated Care Organization, LLC (EOCCO), which administers the Oregon Health Plan to members in eastern Oregon; and PayLess Drug Stores, Inc. (PAY), a wholly owned subsidiary acquired in 2012, as a provider of long-term care and specialty pharmaceutical products. PAY owns a 70% interest in PayLess Drug Pharmacy Group, LLC (PPG) and a 49% interest in Ardon Health Holdings, LLC (AHH). AHH has a wholly owned subsidiary, Ardon Health, LLC (ARD). PPG has a 66% ownership interest in CareRX, LLC (CRX).

During 2017, the Company completed the transactions related to the sale of Dentists Benefits Insurance Company (DBIC, a previously wholly owned subsidiary) and its 21% interest in ARD and the related termination of a surplus note entered into in the prior year associated with this transaction. The estimated capital increases from these transactions were reflected in the 2016 financial statements under the provisions of Statements of Statutory Accounting Principles (“SSAP”) 72. Refer to Notes 14 and 15 for further discussion on the ARD and DBIC transactions, respectively.

In addition, ODS Bend Property LLC (OBP), a previously wholly owned subsidiary, was dissolved in 2017 subsequent to the sale of its underlying assets.

### 2. SUMMARY OF SIGNIFICANT STATUTORY BASIS ACCOUNTING PRINCIPLES

**Basis of Presentation** — The accompanying statutory-basis financial statements have been prepared in conformity with accounting practices prescribed or permitted by the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation (“Division of Financial Regulation”). The Division of Financial Regulation has adopted the National Association of Insurance Commissioners’ (“NAIC”) statutory accounting practices as its statutory accounting basis.

Accounting practices and procedures of the NAIC as prescribed and permitted by the Division of Financial Regulation comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (“GAAP”). The more significant differences are as follows:

- The statements of admitted assets, liabilities and surplus — statutory basis are reported net of the effects of reinsurance. Under GAAP, the balance sheet is required to be shown gross of the effects of reinsurance.
- Investments in bonds are generally carried at amortized cost. Under GAAP, investments in debt securities classified as trading securities are stated at fair value, as determined by quoted market prices of the underlying investments.



- Investments in common stocks are valued as prescribed by the Securities Valuation Office (“SVO”) of the NAIC, while under GAAP, common stocks are reported at fair value.
- Assets are reported at admitted asset value and nonadmitted assets are excluded through a charge against surplus, while under GAAP, nonadmitted assets are included in the balance sheet, net of any valuation allowance.
- Subsidiaries are included as common stock carried under the equity method, with the equity in net income of subsidiaries credited directly to the Company’s surplus, while GAAP requires either consolidation, or the equity in earnings of subsidiaries to be credited to the income statement.
- Premium and claims associated with Administrative Service Contracts (“ASC”) are excluded from the statements of income and changes in surplus — statutory basis, while under GAAP they are included. ASC is a type of uninsured plan where the reporting entity, as an administrator, performs administrative services such as claims processing for a third party that is at risk and, accordingly, the administrator has not issued an insurance policy. Under an ASC plan, the reporting entity pays claims from its own bank account and subsequently receives reimbursement from the plan sponsor. Administrative Service Only Plans (“ASO”) is a type of uninsured plan where the claims are paid from a bank account and funded directly by the uninsured plan sponsor. Premium and claims associated with ASO plans are excluded from both statutory and GAAP-basis financial statements.

**Allocation of Corporate Expenses** — ODS and MI provide certain administrative services including accounting, data processing, facilities, purchasing, legal and senior executive management to the Company. ODS allocates the estimated cost of these services and facilities to the Company, in accordance with the management agreement, in a manner that management believes is reasonable. The financial position and results of operations may not be indicative of results that might have been obtained had the relationship between the Company and its affiliates not existed.

**Financial Instruments and Concentrations of Credit Risk** — The Company’s financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, investments and uncollected premiums. Cash and cash equivalents are maintained with regional financial institutions and, at times, may exceed federally insured amounts. All investments are managed within established guidelines that limit the amounts that may be invested with one issuer. In addition, the Company makes investments with high credit quality entities and has not historically incurred any credit-related losses. Concentrations of credit risk with respect to uncollected premiums are limited due to the large number of policyholders. Approximately 73% and 65% of amounts receivable relating to uninsured plans for the years ended December 31, 2017 and 2016, respectively, were provided under separate contracts with two departments of the State of Oregon.

**Cash, Cash Equivalents and Short-Term Investments** — Overdrafts are recorded as negative cash. Cash was \$(3,288,257) and \$(21,681,851) as of December 31, 2017 and 2016, respectively. Cash equivalents include investments with original maturities of three months or less and are stated at cost, which approximates fair value. Cash equivalents were \$10,370,904 and \$1,999,735 as of December 31, 2017 and 2016, respectively. Short-term investments include all investments with remaining maturities of one year or less at the time of acquisition, and are stated at amortized cost, which approximates fair value. Short-term investments were \$0 and \$17,591,688 as of December 31, 2017 and 2016, respectively.

**Valuation of Investments** — Bonds not backed by other loans are generally stated at book/adjusted carrying value. Book/adjusted carrying values are based on the amortized cost of bonds in classes 1 and 2 and are adjusted for amortization of premiums and accretion of discounts to maturity. Book/adjusted carrying values for bonds in classes 3 through 6 are based on the lower of amortized cost or NAIC

designated fair values. The amortization of bonds is calculated using the scientific interest method, on an actual to actual date basis. Bonds without call provisions are amortized to the maturity date. Bonds with call provisions are amortized using yield to worst amortization.

Mortgage-backed securities are stated at either amortized cost, if they are in classes 1 and 2, or the lower of amortized cost or fair value, if they are in classes 3 through 6, and are adjusted for amortization of premiums and accretion of discounts over the estimated life of the security. The retrospective-adjustment method is used to value all securities. Prepayment assumptions for single-class and multi-class mortgage-backed securities were obtained from broker, dealer, survey values or internal estimates.

Unaffiliated common and preferred stocks are stated at NAIC designated fair values. NAIC designated fair values are based on NAIC market prices. Changes in NAIC fair market values are recorded in capital and surplus.

Investment in the Company's insurance subsidiary, DBIC, is valued on the statutory equity basis while the Company's investment in its non-insurance subsidiaries, PAY, BHS and ODSCH, are valued on the GAAP equity basis, as described in the Purposes and Procedures manual of the SVO and are included in common stocks. The Company's investment in its non-insurance subsidiary OBP is included in other invested assets as it is a limited liability company. As stated above, DBIC was sold to an unrelated party and OBP was dissolved during 2017.

Net investment income earned consists primarily of interest and dividends. Interest is recognized on an accrual basis and dividends are recorded as earned at the ex-dividend date. Interest income on mortgage-backed and asset-backed securities is determined on the effective yield method based on estimated principal repayments. Accrual of income is suspended for bonds that are in default or when the receipt of interest payments is in doubt. Realized capital gains and losses are determined using the first-in first-out method and are included in realized capital gains, net of tax. Unrealized capital gains and losses are recorded directly in capital and surplus as change in unrealized capital gains, net of tax expense (benefit).

Management periodically reviews the Company's securities to determine whether declines in fair value below amortized cost are other-than-temporary. This process utilizes an analysis methodology which includes, but is not limited to, a comprehensive review of individual securities NAIC designated fair value, declarations of bankruptcy by the issuer, significant downgrades in credit by rating agencies, delinquent dividends or interest payments and other criteria that might identify other-than-temporary impairment, such as the extent and/or duration of impairment. If an other-than-temporary impairment is identified, the difference between the fair value and amortized cost is recognized in realized capital gains, net of tax.

**Receivable/Payable for Securities** — The Company records investment transactions based on the trade date. Pending sales that have traded but not settled are recorded as receivables for securities until settled. Pending purchases that have traded but not settled are recorded as payable for securities until settled. As of December 31, 2017 and 2016, the Company had \$0 and \$1,999,735 of investment purchases that had not settled, respectively. As of December 31, 2017 and 2016, the Company had no investment sales that had not settled.

**Nonadmitted Assets** — At December 31, 2017 and 2016, certain assets have been eliminated from the statements of admitted assets, liabilities and surplus — statutory basis with a charge against surplus.

Nonadmitted assets totaled \$255,891,772 and \$257,027,947 at December 31, 2017 and 2016, respectively. Nonadmitted assets relate to risk corridor receivables (\$248,887,443 and \$251,320,832), electronic data processing equipment and software (\$1,088,249 and \$548,525), provider refunds (\$3,429,290 and \$2,100,000), pharmaceutical rebates aged over 90 days (\$1,287,637 and \$1,125,998), uncollected premiums (\$433,718 and \$491,370) and prepaid items (\$765,435 and \$1,441,222) as of December 31, 2017 and 2016, respectively.

**Property and Equipment** — Property and equipment are carried at cost less accumulated depreciation. Depreciation of property and equipment is recorded using the straight-line method over the estimated useful lives of the assets. Furniture and fixtures are generally depreciated over 3 to 5 years. Leasehold improvements are depreciated over the lesser of the useful life of the asset or the terms of the respective leases, which typically ranges from 3 to 20 years. Depreciation and amortization expense was \$2,132,770 and \$12,243,390 for the years ended December 31, 2017 and 2016, respectively.

**Unpaid Claims and Unpaid Claims Adjustment Expenses** — These liabilities include those claims submitted but not yet paid, as well as an estimate for the liability for claims incurred but not yet reported and the estimated cost to process these unpaid claims. The estimated liability for claims incurred but not yet reported is based on claims payment history. Such reserves are continually monitored and reviewed with any adjustments reflected in current earnings.

**Liabilities for Amounts Held under Uninsured Plans** — Includes advance deposits and self-insured reserves. Advance deposits are funds received from uninsured groups for whom the Company pays claims. These deposits are negotiated and are generally based upon estimated claims to be paid within 45 days. Self-insured reserves are deposits made by ASC groups to pay estimated claims in the event of termination of the contract.

**Net Premium Income** — Premium revenues are recognized as income in the month in which enrollees are entitled to health care services.

**Aggregate Health Policy Reserves** — Certain prepaid group health care contracts require the Company to refund the excess, if any, of revenues received over claims paid and administrative costs to the covered group or to use such excess for additional health coverage without a corresponding increase in premiums. This excess is recorded as aggregate health policy reserves and changes in such amounts are netted with net premium income. The amount of net premiums subject to this arrangement written by the Company was \$24,642,198 and \$37,085,791 for the years ended December 31, 2017 and 2016, respectively, representing 4% of the total net premiums written in both 2017 and 2016. Medical loss ratio rebates are calculated pursuant to the Affordable Care Act (“ACA”). As of December 31, 2017 and 2016, no rebates were incurred or paid by the Company.

**Claims Adjustment Expenses Incurred** — Claims adjustment expenses incurred includes \$5,117,360 and \$10,082,015 of cost containment expenses for the years ended December 31, 2017 and 2016, respectively.

**Reinsurance** — The Company purchases contracts that transfer insurance risk, above established amounts on a per claimant basis, to the reinsurer. Effective January 1, 2016 MHP entered into an aggregate reinsurance arrangement to cover claims in excess of the federal reinsurance attachment point if certain thresholds are exceeded; this arrangement was not in effect in 2017. Effective January 1, 2015, MHP entered into a quota share reinsurance arrangement whereby MHP ceded 25% of insured group and individual business premium and claims in all states. This quota share arrangement was not in effect in 2017 or 2016, but the financial statements reflect adjustments of \$5,104,043 and \$7,919,092 for the years ended December 31, 2017 and 2016, respectively. These adjustments were the result of final estimates, including reserves and 3R accruals, and are included as charges within net reinsurance recoveries.

Amounts recoverable from reinsurers include such amounts due from the reinsurer for the reimbursement of amounts paid on claims in excess of the insurance risk transferred to the reinsurer. Reinsurance premiums for the years ended December 31, 2017 and 2016, were \$3,578,798 and \$10,735,719, respectively. For the years ended December 31, 2017 and 2016, the Company recorded net reinsurance reimbursements of \$(2,818,051) and \$22,188,369, respectively, of which \$6,965,078 and \$62,652,005 was still outstanding as of December 31, 2017 and 2016, respectively, and \$0 and

\$10,729,915 was recorded as a reduction to unpaid claims liability as of December 31, 2017 and 2016, respectively. The reimbursement outstanding as of December 31, 2017 includes \$5,058,431 of 2016 incurred federal reinsurance. The reimbursement outstanding as of December 31, 2016 includes \$22,657,867 of 2015 incurred state and federal reinsurance, as well as \$8,372,224 of 2015 incurred quota share reinsurance. The reinsurance reimbursements are offset against losses in the year incurred.

**Income Taxes** — The Company is subject to both federal and state income taxes and files consolidated returns with MI for both federal and state purposes. The Company is a party to a tax sharing agreement with MI. Under this Agreement, current income tax expense is allocated to the Company as if it files a stand-alone federal income tax return.

Pursuant to SSAP 101, *Income Taxes*, A Replacement of SSAP No. 10R and SSAP No. 10 (SSAP No. 101) a net deferred tax asset is calculated using the asset and liability method in which deferred tax assets and liabilities are recorded for expected future tax consequences of events that have been recognized in either the Company's financial statements or tax returns. For the year ended December 31, 2016, the Company transferred deferred tax benefits and obligations, determined under the principles of SSAP 101, to MI and recorded the change in the tax receivable associated with the deferred tax benefit as a change in net deferred income tax at year-end. For the year ended December 31, 2017, the Company amended its tax sharing agreement and does not transfer deferred tax benefits and obligations determined under the principles of SSAP 101. The application of SSAP No. 101 requires a company to evaluate the recoverability of deferred tax assets and to establish a valuation allowance if necessary to reduce the deferred tax asset to an amount which is more likely than not to be realized. In evaluating the need for a valuation allowance the Company considers many factors, including: (1) the nature of the deferred tax assets and liabilities; (2) whether they are ordinary or capital; (3) the timing of reversal; (4) taxable income in prior carry back years as well as projected taxable earnings exclusive of reversing temporary differences and carry forwards; (5) the length of time that carryovers can be used; (6) unique tax rules that would impact the utilization of the deferred tax assets; and (7) any tax planning strategies that the Company would employ to avoid a tax benefit expiring unused. Although the realization is not assured, the Company believes it is more likely than not that the deferred tax assets will be realized.

On December 22, 2017, the Tax Cuts and Jobs Act (the Tax Act) was signed into law, which enacted major changes to the U.S. federal income tax laws, including a permanent reduction in the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. The Company expects the Tax Act to result in approximately \$580,490 of an increase in the provision for income taxes due to the remeasurement of deferred income tax assets and liabilities.

The Tax Act is subject to further clarification and interpretation by the U.S. Treasury Department and the Internal Revenue Service. For example, the Tax Act changes the way that companies calculate their insurance claims and reserves for tax purposes, including revaluing those tax basis liabilities as of January 1, 2018, based on a methodology and discount factors that have not been published. The Company has not included an estimate for this resulting change due to lack of guidance and due to the anticipated lack of materiality. This item should be considered incomplete in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 118 ("SAB 118"). Because any transition liability would be completely offset by an increase in related deferred tax assets, any adjustment to this item will not impact the Company's effective tax rate. In accordance with SAB 118, the insurance claims and reserves transitional deferred tax liability (and offsetting adjustment to the related deferred tax assets) and any other changes in deferred taxes resulting from clarification and interpretation of the Tax Act provided during 2018 will be recorded in the period in which the guidance is published.

**Accounting Estimates and Assumptions** — The preparation of statutory-basis financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities, disclosure of contingent assets and

liabilities at the date of the statutory-basis financial statements and the reported amounts of income and expense during the reporting period. Actual results could differ from these estimates.

**Recently Adopted Accounting Standards** — In June and December 2014, the NAIC issued SSAP 106, *Affordable Care Act Assessments* (SSAP 106) and SSAP 107, *Accounting for the Risk Sharing Provisions of the Affordable Care Act* (SSAP 107), respectively, updating and finalizing the accounting for the risk adjustment, reinsurance and risk corridors programs of the ACA. The temporary risk corridor program was in place for three years and applied to individual and small group business operating both inside and outside of the exchanges. The risk corridor provisions limit health insurers' gains and losses by comparing allowable medical costs to a target amount, each defined/prescribed by the United States Department of Health & Human Services ("HHS"), and sharing the risk for allowable costs with the federal government. Variances from the target exceeding certain thresholds may result in HHS making additional payments to us or require us to make payments to HHS.

We estimate and recognize adjustments to our health plan services premium revenue for the risk corridor provision by projecting our ultimate premium for the calendar year. Such estimated calendar year amounts are recognized ratably during the year and are revised each period to reflect current experience, including changes in risk adjustment and reinsurance recoverables. We record receivables and/or payables in the balance sheets.

HHS has previously recognized that it is obligated to make the risk corridors program payments without regard to budget neutrality in both regulations and guidance. On October 1, 2015, HHS acknowledged a shortfall in the payments for program year 2014, and stated that it would be making payments to insurers of approximately 12.6% of their requested amounts at this time. HHS confirmed its previously stated intention to fulfill its remaining 2014 risk corridor obligations with funds collected for program year 2015 and 2016. On October 13, 2015, HHS reiterated its continuing obligation to make full payment of its risk corridors liabilities and stated that HHS recognizes that the ACA requires the Secretary to make full payments to issuers. HHS further stated that it is recording those amounts that remain unpaid following its 12.6% prorated payment as fiscal year 2015 obligations of the United States Government for which full payment is required. This payment structure would be consistent with the Consolidated and Further Continuing Appropriations Act, 2015, which is also referred to as the "2015 Budget Act" or "Cromnibus." Additionally, HHS has stated that in the event of a shortfall between the amounts collected from issuers and the payments to issuers, HHS will use other sources of funding for the risk corridors payments, subject to the availability of appropriations. This use of alternative funding is consistent with general principles of federal program budgeting and appropriations. Notwithstanding any restrictions imposed by the 2015 Budget Act, HHS has retained the right and ability to source risk corridors program payments from user fees under both the risk corridors program and other programs. The 2016 Budget Act passed in December 2015 continues this payment structure and funding sources. The effects of the Company's adoption of the guidance is discussed further in Note 3.

In 2016, the NAIC adopted revisions to SSAP No. 2R, *Cash, Cash Equivalents, Drafts, and Short-Term Investments*, which required money market mutual funds to be classified as cash equivalents and reported at fair value. The revisions to SSAP 2R were effective January 1, 2017.

In 2017, the NAIC issued SSAP 100R, *Use of Net Asset Value instead of Fair Value*, which allows net asset value ("NAV") to be used as a practical expedient when measuring fair value. These conditions mirror the concepts of FASB issued ASU No. 2015-07, allowing insurance reporting entities the ability to reflect the same measurement method for investments reported at fair value in both U.S. GAAP and SSAP financial statements. The Company has elected to early adopt this guidance in Note 5 – Fair Value Measurement.

**Subsequent Events** — The Company evaluated subsequent events for recognition or disclosure through April 27, 2018, which represents the date the statutory-basis financial statements were issued.

On January 1, 2018, the Company is subject to an annual fee under Section 9010 of the ACA. This annual fee is allocated to individual health insurers based on the ratio of the amount of the entity’s net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity’s portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2017, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2018, and estimates their portion of the annual health insurance industry fee to be payable on September 30, 2018 to be \$20,615,148. This amount is reflected in special surplus. This assessment is expected to impact risk based capital (RBC) by approximately 80%. Reporting the ACA assessment as of December 31, 2017, would not have triggered an RBC action.

	<u>Current Year</u>	<u>Prior Year</u>
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?	YES	YES
Bonds:		
B. ACA fee assessment payable for the upcoming year	\$ 20,615,148	\$ -
C. ACA fee assessment paid	\$ -	\$ 30,821,697
D. Premium written subject to ACA 9010 assessment	\$ 1,176,642,818	\$ 1,736,065,274
E. Total Adjusted Capital before surplus adjustment	\$ 90,170,964	
F. Total Adjusted Capital after surplus adjustment	\$ 69,555,816	
G. Authorized Control Level	\$ 21,573,703	
H. Would reporting the ACA assessment as of December 31, 2017, have triggered an RBC action?	NO	

### 3. PROVISIONS OF THE AFFORDABLE CARE ACT

#### Public Health Insurance Exchanges

The ACA requires the establishment of state-based, state and federal partnership or federally facilitated health insurance exchanges (“exchanges”) where individuals and small groups may purchase health insurance coverage under regulations established by HHS. During 2016 the Company participated in exchanges in Oregon and Alaska. Effective January 1, 2017, the Company no longer offered individual products in Alaska.

#### Member Related Components

*Member Premium* — The Company receives a monthly premium from members. The member premium, which is fixed for the entire plan year, is recognized evenly over the contract period and reported within net premium income.

*Premium Subsidy* — For qualifying low-income members, HHS will reimburse the Company, on the member’s behalf, for some or all of the monthly member premium depending on the member’s income level in relation to the Federal Poverty Level. The Company recognizes the premium subsidy evenly over the contract period and includes it within net premium income.

*Cost Sharing Subsidy* — For qualifying low-income members, HHS will reimburse the Company, on the member’s behalf, for some or all of a member’s cost sharing amounts (e.g., deductible, co-pay/coinsurance). The amount paid for the member by HHS is dependent on the member’s income level

in relation to the Federal Poverty Level. The Company receives prospective payments on a monthly basis, and they represent a cost reimbursement that is finalized and settled after the end of the year. These amounts are included as a reduction to hospital and medical benefits. For the years ended December 31, 2017 and 2016, the cost sharing subsidy adjustment to hospital and medical benefits was \$3,524,262 and \$20,333,667, respectively.

*Health Insurer Fee* — The ACA imposed the health insurer fee on health insurers for each calendar year beginning on January 1, 2014, which is based on prior year written premiums, and which is not deductible for income tax purposes. In accordance with SSAP No. 35R, *Guaranty Fund and Other Assessments*, the liability related to the health insurer fee is estimated and recorded in full, once the entity provides qualifying health insurance in the applicable year in which the fee is payable (the “fee year”), with a corresponding increase to general administrative expenses. In the calendar year immediately preceding the fee year (the “data year”), the Company reclassifies a monthly accrued amount for the estimated subsequent year fee assessment, from unassigned surplus to special surplus. On January 1 of the fee year, the data year amount recorded in special surplus is reversed and the full assessment liability is accrued. For the year ended December 31, 2017, the Company did not recognize any health insurer fee expense, consistent with the Consolidated Appropriations Act of 2016, Title II, Section 201, Moratorium on Annual Fee on Health Insurance Providers, which suspended collection of the health insurance provider fee for the 2017 calendar year. For the year ended December 31, 2017, the Company reclassified \$20,615,148 from unassigned surplus to special surplus funds related to the assessment payable in September 2018. For the year ended December 31, 2016, the Company recognized \$30,821,697 as a Health insurer fee expense, related to the assessment paid in September 2016.

### **The 3Rs: Reinsurance, Risk Adjustment and Risk Corridor**

The ACA established three programs to protect against adverse selection in the insurance market while stabilizing premiums in the individual and small group markets. These programs are commonly referred to as the 3Rs. The recorded amounts are based on estimates.

*Reinsurance* — This transitional program was effective for plan years 2014 through 2016. All issuers of major medical commercial products and third party administrators (“TPAs”) on behalf of uninsured group health plans were required to contribute funding to this program at a rate established by HHS. In addition, the State of Oregon established a state reinsurance program and receives funding from eligible issuers. In general, these programs provide funding to issuers in the individual market that incur high claims costs for enrollees. Assessments based on individual members are recorded as ceded premium, which reduces net premium income. Assessments for all other segments are included in general administrative expenses. Anticipated recoveries under the program are included in amounts recoverable from reinsurers, with a corresponding reduction to hospital and medical benefits. For the year ended December 31, 2017, the Company recorded \$406,167 as an increase to hospital and medical benefits and a reduction to the unpaid claims liability of \$0. The balance included in amounts recoverable from reinsurers is \$5,058,431 as of December 31, 2017. For the year ended December 31, 2016, the Company recorded \$22,853,435 as a reduction to hospital and medical benefits and a reduction to the unpaid claims liability of \$10,729,915. The balance included in amounts recoverable from reinsurers is \$50,770,358 as of December 31, 2016.

*Risk Adjustment* — This permanent program is effective beginning in the 2014 benefit year and covers health plans in the individual and small group markets both on and off the exchange. The purpose of the program is to transfer funding from lower risk plans to higher risk plans within similar plans in the same state in order to adjust premiums for adverse selection among carriers caused by membership shifts due to guaranteed issue and community rating mandates. Risk adjustment assessments and distributions will be computed based on the reporting entity’s risk score versus the overall market risk score after applying

adjustments. As of December 31, 2017, \$609,540 of risk adjustment payables are included in aggregate health policy reserves. Risk adjustment receivables of \$41,139,813 are included in accrued retrospective premiums as of December 31, 2017. For the year ended December 31, 2017 there was a net increase to net premium income of \$56,262,278 related to risk adjustment. As of December 31, 2016, \$19,232,542 of risk adjustment payables are included in aggregate health policy reserves. Risk adjustment receivables of \$21,389,265 are included in accrued retrospective premiums as of December 31, 2016. For the year ended December 31, 2016 there was a net increase to net premium income of \$3,850,789 related to risk adjustment.

*Risk Corridor* — Gross risk corridor receivables (prior to any non-admitted amount) of \$249,726,562 and \$252,268,850 are included in accrued retrospective premium as of December 31, 2017 and 2016, respectively. For the years December 31, 2017 and 2016, there is a \$1,653,914 decrease and a \$79,180,486 increase to net premium income, respectively. Consistent with the NAIC Interpretation referenced in Note 2, the Company performed an impairment analysis as of both December 31, 2017 and 2016, and determined that the risk corridor receivable is not impaired. On June 1, 2016, the Company sued the United States of America for recovery of the risk corridor receivables. The Company received a judgment in the United States Court of Federal Claims in favor of the Company and against the United States, awarding the Company the full amount of risk corridors. The appeal of the Court of Federal Claims' decision was heard by the US Court of Appeals for the Federal Circuit in early 2018 and the Company is awaiting judgment. This provides significant evidence that this asset is not impaired. For the year ended December 31, 2017, the Company non-admitted 100% of 2016 and 2015 risk corridor receivables and all of 2014 risk corridor receivables except what has been communicated by the Centers for Medicare and Medicaid Services will be paid. This resulted in a non-admitted asset of \$248,887,443 and an admitted risk corridor receivable included in accrued retrospective premium of \$839,119 for the year ended December 31, 2017. For the year ended December 31, 2016, the Company non-admitted 100% of 2016 and 2015 risk corridor receivables and all of 2014 risk corridor receivables except what has been communicated by the Centers for Medicare and Medicaid Services will be paid. This resulted in a non-admitted asset of \$251,320,832 and an admitted risk corridor receivable included in accrued retrospective premium of \$948,017 for the year ended December 31, 2016.

#### 4. BONDS AND COMMON STOCKS

Bonds and common stocks as of December 31, 2017, consist of the following:

	<b>Amortized Cost</b>	<b>NAIC Fair Value</b>
Bonds:		
U.S. special revenue and assessment	\$ 1,286,084	\$ 153,078
Municipalities and public utilities	<u>153,329</u>	<u>1,265,319</u>
Total bonds	<u>\$ 1,439,413</u>	<u>\$ 1,418,397</u>
Bond maturity date:		
Mature in one year or less	\$ 153,329	\$ 153,078
Mature after one year through five years	<u>1,286,084</u>	<u>1,265,319</u>
Total bonds	<u>\$ 1,439,413</u>	<u>\$ 1,418,397</u>
	<b>Actual Cost</b>	<b>NAIC Fair Value</b>
Common stocks	<u>\$ 18,874,343</u>	<u>\$ 39,241,244</u>



Proceeds from the sale and maturities of bonds and common stocks during 2017 were \$39,208,868. Gross gains of \$899,268 and gross losses of \$35,290 were realized for the year ended December 31, 2017.

There are no mortgage-backed securities included in the amounts above as of December 31, 2017.

Bonds with amortized cost of \$6,439,414 and \$17,396,555 and NAIC fair values of \$6,418,398 and \$17,372,683, were restricted by the States of Alaska, Oregon and Washington as of December 31, 2017 and 2016, respectively.

Bonds and common stocks as of December 31, 2016, consist of the following:

	<b>Amortized Cost</b>	<b>NAIC Fair Value</b>
<b>Bonds:</b>		
U.S. government	\$ 2,386,689	\$ 2,373,999
Other government		
U.S. special revenue and assessment	3,952,478	3,946,700
Municipalities and public utilities	1,038,212	1,029,589
Industrial and miscellaneous	<u>6,542,761</u>	<u>6,564,464</u>
<b>Total bonds</b>	<u><u>\$ 13,920,140</u></u>	<u><u>\$ 13,914,752</u></u>
<b>Bond maturity date:</b>		
Mature in one year or less	\$ 646,111	\$ 649,428
Mature after one year through five years	8,403,688	8,399,874
Mature after five years through ten years	4,772,081	4,772,688
Mature after ten years	<u>98,260</u>	<u>92,762</u>
<b>Total bonds</b>	<u><u>\$ 13,920,140</u></u>	<u><u>\$ 13,914,752</u></u>
	<b>Actual Cost</b>	<b>NAIC Fair Value</b>
Common stocks	<u><u>\$ 26,498,280</u></u>	<u><u>\$ 40,561,580</u></u>

Proceeds from the sale and maturities of bonds and common stocks during 2016 were \$70,630,191. Gross gains of \$1,804,265 and gross losses of \$1,359,161 were realized for the year ended December 31, 2016.

Included in the amounts above are \$259,048 of mortgage-backed securities with a NAIC fair value of \$262,207 as of December 31, 2016. The mortgage-backed securities are subject to prepayment and are included above at the stated maturity dates.

The following investments have been in a continuous unrealized loss position at December 31, 2017:

	<u>Less than 12 Months</u>		<u>More than 12 Months</u>	
	<u>NAIC Fair Value</u>	<u>Unrealized Loss</u>	<u>NAIC Fair Value</u>	<u>Unrealized Loss</u>
Bonds:				
U.S. special revenue and assessment	\$ 471,898	\$ (4,945)	\$ 793,421	\$ (15,820)
Total bonds	<u>\$ 471,898</u>	<u>\$ (4,945)</u>	<u>\$ 793,421</u>	<u>\$ (15,820)</u>

There are not any mortgage-backed securities in a continuous unrealized loss position at December 31, 2017.

The Company had four securities out of four securities in an unrealized loss position at December 31, 2017. The fair value of these investments declined due to reasons including, but not limited to, changes in interest rates, changes in economic conditions and changes in market outlook for various industries. Because as of the reported period December 31, 2017 the Company has the intent to hold these securities until a recovery of fair value, or for a reasonable period of time sufficient for a forecasted recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2017.

The following investments have been in a continuous unrealized loss position at December 31, 2016:

	<u>Less than 12 Months</u>		<u>More than 12 Months</u>	
	<u>NAIC Fair Value</u>	<u>Unrealized Loss</u>	<u>NAIC Fair Value</u>	<u>Unrealized Loss</u>
Bonds:				
U.S. special revenue and assessment	\$ 500,897	\$ (13,876)	\$ -	\$ -
Municipalities and public utilities	170,345	(6,301)	-	-
Industrial and miscellaneous	<u>194,906</u>	<u>(10,091)</u>	<u>-</u>	<u>-</u>
Total bonds	<u>\$ 866,148</u>	<u>\$ (30,268)</u>	<u>\$ -</u>	<u>\$ -</u>

There are not any mortgage-backed securities in a continuous unrealized loss position at December 31, 2016.

The Company had 38 securities out of 106 securities in an unrealized loss position at December 31, 2016. The fair value of these investments declined due to reasons including, but not limited to, changes in interest rates, changes in economic conditions and changes in market outlook for various industries. Because as of the reported period December 31, 2016 the Company has the intent to hold these securities until a recovery of fair value, or for a reasonable period of time sufficient for a forecasted recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2016.

## 5. FAIR VALUE MEASUREMENT

Fair value guidance defines fair value, establishes a framework for measuring fair value in accordance with statutory accounting principles and expands disclosures about fair value measurements. Fair value guidance defines fair value as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly

transaction between market participants on the measurement date. Fair value also establishes a hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

<b>Level Input</b>	<b>Input Definition</b>
Level 1	Observable inputs that reflect quoted prices for identical assets in active markets at the measurement date
Level 2	Observable inputs that reflect quoted prices for similar assets in active or inactive markets at the measurement date
Level 3	Unobservable inputs with little or no market activity for the asset at the measurement date

The fair value of unaffiliated stocks and bonds is based on market prices published by the SVO of the NAIC. If the fair value of a financial instrument cannot be determined without incurring excessive costs, it is not considered practicable to estimate the fair value (not practicable) and the instrument is disclosed at carrying value.

The fair value of the fixed income securities, including U.S. treasury securities and obligations of U.S. government corporations and agencies, and corporate debt securities, is determined by the utilization of independent pricing services by the custodian and the investment managers. If the Company does not agree with the estimated price, the identified price will be verified by an independent pricing source or through performing independent valuations of inputs and assumptions similar to those used by the pricing service in order to determine prices represent a reasonable estimate of fair value. The Company did not make any significant adjustments as of December 31, 2017 or 2016.

There were no transfers between Level 1 and Level 2 fair value measurements during the years ended December 31, 2017 and 2016. There were no assets that were valued using significant unobservable inputs (Level 3) on a recurring basis as of December 31, 2017 and 2016.

Certain financial assets are measured at fair value on a non-recurring basis, such as certain bonds valued at the lower of cost or fair value, or investments that are impaired during the reporting period and recorded at fair value. No investments were considered to be other-than-temporarily impaired for the years ended December 31, 2017 and 2016.

The fair value measurements by each of the levels as of December 31, 2017, for all financial instruments, is summarized as follows:

	<b>Aggregate Fair Value</b>	<b>Admitted Assets</b>	<b>Fair Value Measurements Using</b>			<b>Not Practicable (Carrying Value)</b>
			<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Short-term investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bonds	1,418,397	1,439,413	-	1,418,397	-	-
Common stocks	-	-	-	-	-	-
<b>Total</b>	<b>\$ 1,418,397</b>	<b>\$ 1,439,413</b>	<b>\$ -</b>	<b>\$ 1,418,397</b>	<b>\$ -</b>	<b>\$ -</b>

The fair value measurements by each of the levels as of December 31, 2016, for all financial instruments, is summarized as follows:

	Aggregate Fair Value	Admitted Assets	Fair Value Measurements Using			Not Practicable (Carrying Value)
			Level 1	Level 2	Level 3	
Short-term investments	\$ 17,591,688	\$ 17,591,688	\$ -	\$ 17,591,688	\$ -	\$ -
Bonds	13,914,752	13,920,140	-	13,914,752	-	-
Common stocks	<u>5,629,000</u>	<u>5,629,000</u>	<u>5,629,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 37,135,440</u>	<u>\$ 37,140,828</u>	<u>\$ 5,629,000</u>	<u>\$ 31,506,440</u>	<u>\$ -</u>	<u>\$ -</u>

## 6. UNPAID CLAIMS AND UNPAID CLAIMS ADJUSTMENT EXPENSES

Activity in the unpaid claims and unpaid claims adjustment expenses is summarized as follows:

	2017	2016
Balance—Beginning of year	<u>\$ 181,679,121</u>	<u>\$ 95,716,503</u>
Plus provision related to:		
Current year	543,941,867	908,590,027
Prior years	<u>(5,300,000)</u>	<u>4,231,474</u>
Total incurred	<u>538,641,867</u>	<u>912,821,501</u>
Less payments related to:		
Current year	476,548,375	734,291,906
Prior years	<u>167,200,000</u>	<u>92,566,977</u>
Total paid	<u>643,748,375</u>	<u>826,858,883</u>
Balance—End of year	<u>\$ 76,572,613</u>	<u>\$ 181,679,121</u>

The provision decreased by \$5,300,000 and increased by \$4,231,474 in 2017 and 2016 (net of reinsurance recoveries of \$(2,818,051) and \$22,188,369), respectively, as a result of actual claims of prior years experience differing from amounts provided for at the beginning of the respective years. The unpaid claims and unpaid claims adjustment expense was reduced by reinsurance recoverables of \$0 and \$10,729,915 at December 31, 2017 and 2016, respectively.

Reported on statements of income (loss) and changes in surplus — statutory basis:

	2017	2016
Hospital and medical expenses—net of reinsurance	\$ 520,997,889	\$ 874,329,435
Claims adjustment expenses incurred	<u>17,643,978</u>	<u>38,492,066</u>
Total incurred	<u>\$ 538,641,867</u>	<u>\$ 912,821,501</u>

## 7. TRANSACTIONS WITH AFFILIATES

Receivables from (payables to) parent, subsidiaries and affiliates at December 31, 2017, include \$77,372,005, \$11,630,812, \$5,075,000, \$(232,103), \$(2,707) and \$(1,386) due from MI, due from ODS, due from ODSCH, due to EOCCO, due to BHS and due to Ardon Health, LLC, respectively.

Receivables from (payables to) parent, subsidiaries and affiliates at December 31, 2016, include \$65,724,301, \$8,511,840, \$4,388,316, \$(521,608), \$(94,293), \$(69,824), \$(4,335), \$(1,890) and \$(401) due from MI, due from ODS Plaza, Inc., due from ODSCH, due to EOCCO, due to DBIC, due to ODS, due to Moda Health Services, LLC, due to Ardon Health, LLC and due to BHS, respectively.

The Company was previously a co-borrower with MI and ODS on a revolving credit facility. This facility was terminated during 2017.

At December 31, 2017, the Company's ownership is 100% in ODSCH, BHS and PAY. At December 31, 2016, the Company's ownership was 100% in ODSCH, BHS, PAY, DBIC and OBP. The Company has adopted SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities — a Replacement of SSAP No. 88*. Accordingly, investments in the Company's non-insurance subsidiaries are valued using audited GAAP equity. For the year ended December 31, 2016, investment in the Company's insurance subsidiary, DBIC, was valued using audited statutory surplus. For the year ended December 31, 2016, OBP's total admitted assets were less than 10% of the Company's total admitted assets. OBP had admitted assets of \$26,658,914, liabilities of \$19,450,574, equity in noncontrolling interests of \$1,025,729, surplus of controlling interests of \$6,182,611 and net loss of \$404,176 for the year ended December 31, 2016.

ODS charged the Company \$36,133,472 and \$30,560,648 for the years ended December 31, 2017 and 2016, respectively, for administrative services as described in Note 2; such charges are included in claims adjustment expenses and general administrative expenses.

The material components of claims adjustment expenses and general administrative expenses allocated from ODS are as follows:

	<b>2017</b>	
	<b>Claims Adjustment</b>	<b>General Administrative</b>
Rent	\$ 436,283	\$ 1,530,048
Salaries, wages and other benefits	2,422,031	17,489,391
Cost or depreciation of EDP equipment and software	3,548,974	1,881,181
Outsourced services including EDP, claims, and other services	<u>112,929</u>	<u>1,782,794</u>
Total	<u>\$ 6,520,217</u>	<u>\$ 22,683,414</u>
	<b>2016</b>	
	<b>Claims Adjustment</b>	<b>General Administrative</b>
Rent	\$ 550,652	\$ 1,210,924
Salaries, wages and other benefits	3,730,275	12,276,497
Cost or depreciation of EDP equipment and software	3,707,942	2,106,505
Outsourced services including EDP, claims, and other services	<u>368,652</u>	<u>1,442,584</u>
Total	<u>\$ 8,357,521</u>	<u>\$ 17,036,510</u>

During 2017 and 2016, the Company leased office space and certain equipment from affiliates under operating leases. Rent expense for these leases was \$5,941,512 and \$6,338,700 for the years ended December 31, 2017 and 2016, respectively. The future minimum noncancelable lease commitments for the next five years and thereafter are as follows:

<b>Years Ending December 31</b>	<b>Operating Lease Commitments</b>
2018	\$ 3,161,906
2019	3,075,639
2020	3,306,891
2021	3,308,164
2022	3,343,268
Thereafter	<u>14,626,405</u>
Total	<u>\$ 30,822,273</u>

#### **8. UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS**

Net premium income and underwriting deductions exclude amounts received from and paid for ASO and ASC contracts, which provide only for the processing of claims. Total billings for ASC contracts were \$1,220,705,630 and \$1,196,677,892 for the years ended December 31, 2017 and 2016, respectively. The liability for ASC unpaid claims, estimated to be \$84,109,754 and \$76,133,665 at December 31, 2017 and 2016, respectively, remains with the group (employer) not with the Company and is therefore not included in unpaid claims. Service revenues earned for processing claims under ASC contracts were \$64,534,281 and \$59,723,439 for the years ended December 31, 2017 and 2016, respectively, and are netted against claims adjustment expenses and general administrative expenses. Receivables for claims processed under ASC contracts were \$48,947,901 and \$38,245,716 as of December 31, 2017 and 2016, respectively, and are recorded as amounts receivable relating to uninsured plans.

The net reimbursement for administrative expenses and net gain from operations for ASO uninsured plans was \$4,261 and \$119,457 for the years ended December 31, 2017 and 2016, respectively. The total claim payment volume was \$17,363,029 and \$21,867,672 for the years ended December 31, 2017 and 2016, respectively.

The net administrative revenue from ASC uninsured plans and the uninsured portion of partially insured plans was as follows during 2017:

	<b>Uninsured Plans</b>	<b>Uninsured Portion of Partially Insured Plans</b>	<b>Total</b>
Gross reimbursement for medical costs incurred	\$ 565,621,109	\$ 655,084,521	\$ 1,220,705,630
Claims expense incurred	<u>547,900,900</u>	<u>608,270,449</u>	<u>1,156,171,349</u>
Net administrative revenue	<u>\$ 17,720,209</u>	<u>\$ 46,814,072</u>	<u>\$ 64,534,281</u>

The net administrative revenue from ASC uninsured plans and the uninsured portion of partially insured plans was as follows during 2016:

	<b>Uninsured Plans</b>	<b>Uninsured Portion of Partially Insured Plans</b>	<b>Total</b>
Gross reimbursement for medical costs incurred	\$ 539,509,407	\$ 657,168,485	\$ 1,196,677,892
Claims expense incurred	<u>526,683,785</u>	<u>610,270,668</u>	<u>1,136,954,453</u>
Net administrative revenue	<u>\$ 12,825,622</u>	<u>\$ 46,897,817</u>	<u>\$ 59,723,439</u>

## 9. INCOME TAXES

The components of the net deferred tax asset and liability as of December 31, 2017 and 2016, respectively, are as follows:

	<b>2017</b>			<b>2016</b>			<b>Change</b>
	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>	<b>Ordinary</b>	<b>Capital</b>	<b>Total</b>	
Gross deferred tax assets	\$ 2,046,469	\$ -	\$ 2,046,469	\$ -	\$ -	\$ -	\$ 2,046,469
Statutory valuation allowance adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted gross deferred tax assets	2,046,469	-	2,046,469	-	-	-	2,046,469
Deferred tax assets nonadmitted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal net admitted deferred tax assets	2,046,469	-	2,046,469	-	-	-	2,046,469
Gross deferred tax liabilities	<u>(1,107,181)</u>	<u>(1,574)</u>	<u>(1,108,755)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,108,755)</u>
Net admitted deferred tax asset (liability)	<u>\$ 939,288</u>	<u>\$ (1,574)</u>	<u>\$ 937,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 937,714</u>

The Company recorded admitted deferred tax assets in accordance with SSAP No. 101 as follows:

	2017			2016			Change
	Ordinary	Capital	Total	Ordinary	Capital	Total	
Federal income taxes paid in prior years recoverable through loss carryback	\$ 1,118,408	\$ -	\$ 1,118,408	\$ -	\$ -	\$ -	\$ 1,118,408
Adjusted gross deferred tax assets expected to be realized							
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	-	-	-	-	-	-	-
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	13,384,988	XXX	XXX	XXX	
Adjusted gross deferred tax assets offset by gross deferred tax liabilities	<u>928,061</u>	<u>-</u>	<u>928,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>928,061</u>
Total admitted adjusted gross deferred tax assets	<u>\$ 2,046,469</u>	<u>\$ -</u>	<u>\$ 2,046,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,046,469</u>

For the year ended December 31, 2017, the Company's ratio percentage and amount of adjusted capital and surplus used for the purposes of determining the recovery period and threshold limitation amount was 414% and \$89,223,250. Tax planning strategies, whether from reinsurance or otherwise, had no impact on the determination of adjusted gross or net admitted deferred tax assets. There are no items for which there are unrecognized deferred tax liabilities.

Current income taxes incurred consist of the following major components for the years ended December 31, 2017 and 2016:

	2017	2016
Federal income tax expense (benefit)	\$ 2,724,208	\$ (5,714,651)
Federal income tax on capital gains	<u>294,955</u>	<u>151,336</u>
Federal income tax incurred	<u>\$ 3,019,163</u>	<u>\$ (5,563,315)</u>

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax of 34% for 2017 and 2016 due primarily to permanent book/tax differences, the sale of subsidiaries, the 2017 federal rate change, dividends received deduction, the tax impact of nonadmitted assets, prior year true-ups and limitations on the deductibility of certain items as mandated by the Health Insurance Reform Legislation.



The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	2017	2016	Change
Deferred tax assets:			
Ordinary:			
Unpaid losses	\$ 116,116	\$ -	\$ 116,116
Unearned premium	383,578	-	383,578
Nonadmitted assets	1,470,909	-	1,470,909
Other	<u>75,866</u>	<u>-</u>	<u>75,866</u>
Admitted ordinary deferred tax assets	<u>2,046,469</u>	<u>-</u>	<u>2,046,469</u>
Total admitted deferred tax assets	<u>2,046,469</u>	<u>-</u>	<u>2,046,469</u>
Deferred tax liabilities:			
Ordinary:			
Fixed assets	(4,606)	-	(4,606)
Software development	(71,300)	-	(71,300)
Surplus note interest	<u>(1,031,275)</u>	<u>-</u>	<u>(1,031,275)</u>
Admitted ordinary deferred tax liabilities	<u>(1,107,181)</u>	<u>-</u>	<u>(1,107,181)</u>
Capital:			
Unrealized capital gains	<u>(1,574)</u>	<u>-</u>	<u>(1,574)</u>
Admitted capital deferred tax liabilities	<u>(1,574)</u>	<u>-</u>	<u>(1,574)</u>
Total admitted deferred tax liabilities	<u>(1,108,755)</u>	<u>-</u>	<u>(1,108,755)</u>
Net admitted deferred tax asset	<u>\$ 937,714</u>	<u>\$ -</u>	<u>\$ 937,714</u>

As of December 31, 2017, the amount of federal income taxes incurred, which is available for recoupment in the event of future losses, is comprised of the following:

Tax Year	Ordinary	Capital	Total
2017	<u>\$ 2,623,219</u>	<u>\$ 294,955</u>	<u>\$ 2,918,174</u>
Total	<u>\$ 2,623,219</u>	<u>\$ 294,955</u>	<u>\$ 2,918,174</u>

At December 31, 2017, the Company has no operating loss, capital loss or tax credit carryforwards. The Company does not have any deposits admitted under Section 6603 of the Internal Revenue Service Code. The Company has no federal or foreign income tax loss contingencies as determined in accordance with SSAP No. 101 paragraph 3.a.

## 10. RETIREMENT PLAN

The Company, through its affiliate ODS, sponsors a 401(k) retirement plan that covers substantially all employees. The provisions provide for the Company to contribute 3% of eligible employees' salaries and to match participants' contributions up to 2%, 4% or 6% of eligible earnings for years of service less than 5 years, between 5 and 10 years, and more than 10 years, respectively. Employees can contribute up

to the IRS limitation or 70% of their eligible earnings, whichever is lower. Contributions by the Company totaled \$2,513,878 and \$2,035,279, respectively, for the years ended December 31, 2017 and 2016, and are included in claims adjustment expenses and general administrative expenses.

## **11. REQUIRED CAPITAL**

The NAIC requires insurance companies to calculate RBC ratios, which serve as a benchmark for the regulation of insurance companies' solvency by state insurance regulators. The formulas for determining the amount of RBC specify various weighting factors that are applied to financial balances or various levels of activity based on perceived degree of risk. Regulatory compliance is determined by a ratio of the enterprise's regulatory total adjusted capital, as defined by the NAIC, to its authorized control level RBC, as defined by the NAIC. Enterprises below specific trigger points or ratios are classified within certain levels, each of which require specified corrective action or may cause state regulators to take certain actions.

The Company's ratios exceeded regulatory requirements at December 31, 2017 and 2016 (unaudited).

Under the laws of the state of Oregon, the Company is required to provide a reserve of \$2,500,000. This reserve has been recorded as capital common stock.

The Division of Financial Regulation restricts the amount of annual dividend payments, without its prior approval, to the greater of (a) income for the preceding year or (b) 10% of statutory surplus at the preceding year end. No dividends were declared or paid in 2017 and 2016.

## **12. LITIGATION AND CONTINGENT LIABILITIES**

The Company, in common with the insurance industry in general, is subject to litigation in the normal course of its business. The Company's management does not believe that such litigation will have a material effect on its statutory-basis financial statements.

## **13. EDP EQUIPMENT AND SOFTWARE**

EDP equipment and software is carried at cost less accumulated depreciation. Depreciation expense for EDP equipment and software is computed using the straight-line method over the lesser of the estimated useful life of the related asset or 3 years. Depreciation expense for nonadmitted, nonoperating system software is computed using the straight-line method over the lesser of its estimated useful life or 5 years. During 2017 and 2016, the Company incurred capitalizable costs for the development of internal use software that is amortized using the straight-line method over the lesser of the useful lives of the assets or 3 years. Admitted EDP equipment and software was zero as of both December 31, 2017 and 2016.

Depreciation expense related to admitted EDP equipment and software was zero for both years ended December 31, 2017 and 2016. Depreciation expense related to non-admitted EDP equipment and software was \$378,784 and \$598,353 for the years ended December 31, 2017 and 2016, respectively. During the year 2016, the Company terminated a sales-leaseback transaction involving certain non-admitted EDP that was entered into during 2015. The title of the leased assets transferred back to the Company during 2016.

## **14. SURPLUS NOTES**

In December 2009, the Company issued a surplus note to OEA Choice Welfare Benefit Trust for \$18 million cash at an interest rate of 6%, which matured on June 30, 2012. In June 2012, a principal payment of \$8 million and interest of \$2.7 million was made and the remaining \$10 million of principal was extended through a restated note on July 1, 2012. Interest accrued on the restated note at 4.50% and

matured on June 30, 2017. This note was amended and restated on July 1, 2017 at an interest rate of 6.55% maturing June 30, 2024. In December 2014, the Company issued a surplus note to Oregon Health & Sciences University in the amount of \$50,000,000. Interest accrues on the note at an annual rate of 4.00% and matures on December 15, 2024.

In November 2015, the Company issued a surplus note to MI for \$50,000,000 at an interest rate of 4% maturing November 15, 2025. In December 2015, the Company issued a surplus note to MI for \$30,000,000 in the form of a complete and full settlement of intercompany debt. No interest will be paid on this note and there is no specific maturity date. During 2016, \$80 million of surplus notes from MI were contributed to capital.

In December 2015, the Company issued a surplus note to ODS for \$13,000,000 at an interest rate of 4% with no specific maturity date. During 2017, this note and the associated accrued and unpaid interest of \$953,333 were contributed to capital.

On February 28, 2017, the Company issued a surplus note to Healthy Living Alliance, LLC for \$22,950,000 with no interest and no specific maturity date. This surplus note was included in capital as of December 31, 2016 under the provisions of SSAP 72. On July 31, 2017, the Company completed a transaction to sell 21% of its ownership interest in ARD, a downstream subsidiary of PAY, to Healthy Living Alliance, LLC. This transaction resulted in the termination of the surplus note and also resulted in an additional \$7,088,822 recorded as unrealized gains. Of the total \$30,038,822 unrealized capital gain resulting from this transaction, \$9,568,689 was distributed to the Company from PAY in the form of a dividend and is therefore re-classified from unrealized capital gains to net investment income earned. The net cash flow impact of this transaction is \$9,568,689, which is recorded in the statement of cash flows – statutory basis, as 2017 cash proceeds were received in the amount of \$22,950,000 related to the original surplus note, and cash outflows of \$13,381,311 were used associated with the purchase of a shareholder's interest.

No interest payments on outstanding notes were made by the Company during the year ended December 31, 2017 and total interest payments on the outstanding surplus notes of \$1,500,000 have been made. There is no unapproved and unpaid interest associated with the notes contributed to capital.

The above surplus notes have the following repayment conditions and restrictions: Each payment of interest on and principal of the surplus notes may be made only with prior approval of the Director of the State of Oregon's Department of Consumer and Business Services and only to the extent the Company has sufficient surplus earnings to make such payments. In the event of the liquidation or dissolution of the Company, payment of the principal balance and all accrued interest is subordinated to the claims of: 1) policyholders, 2) beneficiaries and other claimants, and 3) the debts and liabilities owed to all creditors of the Company other than holders of other surplus notes.

## 15. SALE OF SUBSIDIARY

On February 28, 2017, DBIC, a previously wholly owned subsidiary, was sold, with two other Moda entities, to an unrelated party. In the December 31, 2016 financial statements the estimated capital impact of \$21,600,000 was reflected as gross paid in and contributed surplus under the provisions of SSAP 72. The December 31, 2017 financial statements reflect the final accounting of the transaction, which differs in classification from the estimated amount reflected in prior year financial statements. At December 31, 2017, \$17,822,577 is included as net realized capital gains, \$12,283,271 is included as a decrease in unrealized capital gains and \$15,310,284 remains in contributed capital, resulting in an overall decrease in contributed capital of \$6,289,716 when compared to the prior year.

## 16. RECONCILIATION OF ANNUAL STATEMENTS TO AUDITED STATUTORY BASIS FINANCIAL STATEMENTS

The following reconciles the differences between the annual statements as filed with the Division of Financial Regulation and the audited statutory basis financial statements for the year ended December 31, 2017.

<b>2017</b>	<b>Filed</b>	<b>Audited</b>	<b>Difference</b>
Statements of income and changes in surplus:			
Federal income tax expense	\$ (3,648,699)	\$ (2,724,208)	\$ 924,491
Surplus—Beginning of year	77,572,556	75,533,849	(2,038,707)
Change in unrealized capital losses	(3,712,109)	(3,689,446)	22,663
Change in net deferred income taxes	788,926	(135,565)	(924,491)
Surplus adjustments paid in	6,170,411	8,186,455	2,016,044
Statements of cash flows:			
Federal income taxes paid (recovered)	\$ 199,015	\$ (725,476)	\$ 924,491
Net cash used in operations	(71,480,556)	(70,556,065)	(924,491)
Other cash provided	20,319,174	19,394,683	924,491
Net cash provided by financing and miscellaneous sources	44,412,304	43,487,813	924,491

The following reconciles the differences between the annual statements as filed with the Division of Financial Regulation and the audited statutory basis financial statements for the year ended December 31, 2016.

<b>2016</b>	<b>Filed</b>	<b>Audited</b>	<b>Difference</b>
Statements of income and changes in surplus:			
Federal income tax benefit	\$ 6,639,142	\$ 5,714,651	\$ (924,491)
Change in unrealized capital losses	(21,947,051)	(21,969,714)	(22,663)
Change in net deferred income taxes	27,772,219	28,696,710	924,491
Surplus adjustments paid in	131,954,275	129,938,231	(2,016,044)
Surplus—End of year	77,572,556	75,533,849	(2,038,707)
Statements of admitted assets, liabilities and surplus:			
Common stocks	\$ 42,600,287	\$ 40,561,580	\$ (2,038,707)
Additional paid-in capital	199,132,906	197,116,862	(2,016,044)
Unassigned funds deficit	(220,010,350)	(220,033,013)	(22,663)
Statements of cash flows:			
Federal income taxes paid (recovered)	\$ (6,048,334)	\$ (5,123,843)	\$ (924,491)
Net cash used in operations	(36,767,852)	(37,692,343)	(924,491)
Other cash applied	(4,209,272)	(3,284,781)	(924,491)
Net cash provided by financing and miscellaneous sources	25,790,728	26,715,219	924,491

\* \* \* \* \*

## **SUPPLEMENTAL SCHEDULES**

## MODA HEALTH PLAN, INC.

### SUPPLEMENTAL SCHEDULES OF CERTAIN STATUTORY BASIS FINANCIAL DATA AS OF DECEMBER 31, 2017

---

The following is a summary of certain statutory-basis financial data included in other exhibits and schedules subjected to audit procedures by independent auditors of the Company's 2017 statutory-basis financial statements as filed with state regulatory authorities.

The Company's total admitted assets as reported is \$251,811,361.

The Company's 10 largest exposures to a single issuer/borrower/investment by investment, excluding U.S. government, U.S. government agency securities and those U.S. government money market funds are as follows:

Investments	Amount	Percentage of Total Admitted Assets
PayLess Drug Stores, Inc.	\$ 35,374,121	14.05 %
ODS Community Health, Inc.	3,274,585	1.30 %
FNMA	879,161	0.35 %
BenefitHelp Solutions, Inc.	592,538	0.24 %
FHLB	406,923	0.16 %
New York State Dorm Authority	153,329	0.06 %

The amounts and percentages of the Company's total admitted assets held in bonds by NAIC rating are as follows:

Rating	Amount	Percentage of Total Admitted Assets
NAIC-1	\$ 1,439,413	0.57 %

The Company does not have any preferred stocks.

Assets held in foreign investments are less than 2.5% of the Company's total admitted assets.

(Continued)

## MODA HEALTH PLAN, INC.

### SUPPLEMENTAL SCHEDULES OF CERTAIN STATUTORY BASIS FINANCIAL DATA AS OF DECEMBER 31, 2017

---

The Company's equity interests by investment are as follows:

Investment Category	Amount	Percentage of Total Admitted Assets
PayLess Drug Stores, Inc.	\$ 35,374,121	14.05 %
ODS Community Health, Inc.	3,274,585	1.30 %
BenefitHelp Solutions, Inc.	592,538	0.24 %

The Company's segregated premium for Oregon Exchange activity is as follows:

Oregon Exchange	2017
Beginning Balance	\$ 568,320
Receipts	101,278
Disbursements	<u>(8,722)</u>
Ending Balance	<u>\$ 660,876</u>
Number of enrollee months	<u>101,278</u>

(Continued)



## MODA HEALTH PLAN, INC.

### SUPPLEMENTAL SCHEDULES OF CERTAIN STATUTORY BASIS FINANCIAL DATA AS OF DECEMBER 31, 2017

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage	Amount	Percentage
Bonds:				
U.S. Treasury securities	\$ -	- %	\$ -	- %
U.S. government agency obligations (excluding mortgage-backed securities)—Issued by U.S. government sponsored agencies	1,286,084	2.69	1,286,084	2.69
Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
States, territories and possessions general obligations				
Political subdivision of states, territories and possessions and political subdivisions	153,329	0.32	153,329	0.32
Revenue and assessment obligations	-	-	-	-
Equity interests:				
Investments in common stocks	-	-	-	-
Other equity securities—affiliated	39,241,244	82.16	39,241,244	82.16
Cash, cash equivalents and short-term investments	7,082,647	14.83	7,082,647	14.83
Other invested assets	-	-	-	-
Total cash and invested assets	<u>\$ 47,763,304</u>	<u>100.00 %</u>	<u>\$ 47,763,304</u>	<u>100.00 %</u>

(Concluded)