

**Capital Health Plan, Inc.**  
**Financial Statements and Supplemental Schedules**  
**Statutory Basis of Accounting**  
**December 31, 2016 and 2015**

**Capital Health Plan, Inc.**  
**Index**  
**December 31, 2016 and 2015**

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## **Report of Independent Certified Public Accountants**

To the Board of Directors of Capital Health Plan, Inc.

We have audited the accompanying statutory financial statements of Capital Health Plan, Inc. (the “Company”), which comprise the statutory statements of admitted assets, liabilities and surplus as of December 31, 2016 and 2015, and the related statutory statements of income and changes in surplus, and of cash flows for the years then ended.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Office of Insurance Regulation of the State of Florida. 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.

### ***Independent Certified Public Accountants’ Responsibility***

Our responsibility is to express an opinion on the 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 our 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, we consider internal control relevant to the Company’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 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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***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 the Company on the basis of the accounting practices prescribed or permitted by the Office of Insurance Regulations of the State of Florida, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, 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 matter 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 accounting principles generally accepted in the United States of America, the financial position of the Company 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 admitted assets, liabilities and surplus of the Company as of December 31, 2016 and 2015, 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 Office of Insurance Regulation of the State of Florida described in Note 2.

***Emphasis of Matter***

As discussed in Note 14 to the statutory financial statements, the Company has entered into significant transactions with related parties. This does not modify our opinion.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The supplemental summary investment schedule and supplemental investment risk interrogatories (collectively, the “supplemental schedules”) of the Company as of December 31, 2016 and for the year then ended are presented to comply with the National Association of Insurance Commissioners’ Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the statutory-basis financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information 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, the supplemental schedules are fairly stated, in all material respects, in relation to the statutory-basis financial statements taken as a whole.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers, LLP".

PricewaterhouseCoopers LLP  
Jacksonville, FL  
March 30, 2017

**Capital Health Plan, Inc.**  
**Statutory Statements of Admitted Assets, Liabilities and Surplus**  
**December 31, 2016 and 2015**

*(in thousands of dollars)*

	<b>2016</b>	<b>2015</b>
<b>Admitted Assets</b>		
Bonds	\$ 343,564	\$ 327,925
Common stocks	86,973	77,925
Cash, cash equivalents and short-term investments	10,023	10,801
Real estate investments, net	22,117	22,768
Receivables for securities	6,226	4,093
Total cash and invested assets	<u>468,903</u>	<u>443,512</u>
Investment income due and accrued	1,782	1,741
Premiums and consideration receivables, net	4,148	7,303
Furniture and equipment, net	1,121	1,233
Health care receivables, net	9,446	9,033
Other admitted assets	4,466	4,993
Total admitted assets	<u>\$ 489,866</u>	<u>\$ 467,815</u>
<b>Liabilities and Surplus</b>		
Claims unpaid	\$ 60,699	\$ 52,159
Unpaid claims adjustment expenses	560	460
Premiums received in advance	10,975	10,836
General expenses due or accrued	2,449	3,697
Amount due to parent	1,017	1,083
Payable for securities	10,872	7,962
Other liabilities	32,291	27,485
Total liabilities	<u>118,863</u>	<u>103,682</u>
Commitments and contingencies		
Aggregate write-ins for special surplus funds	-	6,178
Unassigned funds (surplus)	371,003	357,955
Total liabilities and surplus	<u>\$ 489,866</u>	<u>\$ 467,815</u>

The accompanying notes are an integral part of these statutory financial statements.

**Capital Health Plan, Inc.**  
**Statutory Statements of Income and Charges in Surplus**  
**Years Ended December 31, 2016 and 2015**

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*(in thousands of dollars)*

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Net premiums income	\$ 764,203	\$ 714,658
Fee-for-service	<u>2,146</u>	<u>2,285</u>
Total revenue	<u>766,349</u>	<u>716,943</u>
<b>Expenses</b>		
Hospital and medical expenses	726,608	674,457
Claims adjustment expenses	9,785	9,101
Administrative expenses	31,485	28,326
Assessments and fees	<u>9,708</u>	<u>11,597</u>
Total underwriting expenses incurred	<u>777,586</u>	<u>723,481</u>
Net underwriting loss	(11,237)	(6,538)
Net investment income earned	12,494	12,164
Net realized gains on investments	3,288	3,135
Other income, net	<u>19</u>	<u>10</u>
Net income	4,564	8,771
<b>Surplus</b>		
Beginning of year	364,133	368,772
Change in net unrealized gains (losses) on investments	2,609	(4,146)
Change in nonadmitted assets	(724)	1,330
Change in unrestricted net assets for postretirement benefits	<u>421</u>	<u>(10,594)</u>
End of year	<u>\$ 371,003</u>	<u>\$ 364,133</u>

The accompanying notes are an integral part of these statutory financial statements.

**Capital Health Plan, Inc.**  
**Statutory Statements of Cash Flows**  
**Years Ended December 31, 2016 and 2015**

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*(in thousands of dollars)*

	<b>2016</b>	<b>2015</b>
<b>Cash from operations</b>		
Premiums collected net of reinsurance	\$ 768,433	\$ 718,318
Net investment income	14,571	14,587
Other income	2,892	2,493
Benefit and loss-related payments	(714,671)	(674,277)
Claims adjustment expenses	(9,551)	(8,814)
Administrative expenses	(40,574)	(40,354)
Net cash from operations	<u>21,100</u>	<u>11,953</u>
<b>Cash from investments</b>		
Proceeds from investments sold or matured or repaid		
Bonds	187,167	188,488
Common stocks	32,471	24,923
Total investment proceeds	<u>219,638</u>	<u>213,411</u>
Cost of investments acquired		
Bonds	(203,894)	(198,852)
Common stocks	(36,233)	(20,067)
Other investments acquired	(1,389)	(1,650)
Total investments acquired	<u>(241,516)</u>	<u>(220,569)</u>
Net cash from investments	<u>(21,878)</u>	<u>(7,158)</u>
Net (decrease) increase in cash, cash equivalents and short-term investments	(778)	4,795
<b>Cash, cash equivalents and short-term investments</b>		
Beginning of year	<u>10,801</u>	<u>6,006</u>
End of year	<u>\$ 10,023</u>	<u>\$ 10,801</u>

The accompanying notes are an integral part of these statutory financial statements.

# Capital Health Plan, Inc.

## Notes to Statutory Financial Statements

### December 31, 2016 and 2015

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#### 1. Background

##### Organization

Capital Health Plan, Inc. ("CHP") is a not-for-profit federally qualified and state licensed staff model Health Maintenance Organization ("HMO"), which provides health care services to subscribers in Leon and surroundings counties in Florida.

CHP has an affiliation agreement with Blue Cross and Blue Shield of Florida, Inc., d/b/a Florida Blue, giving Florida Blue majority control of the corporate membership of CHP. Florida Blue is a wholly owned subsidiary of Guidewell Mutual Holding Corporation, a not-for-profit, policyholder owned mutual insurance holding company. The affiliation provides that Florida Blue may supply certain administrative services and products to CHP and also commits Florida Blue to loan CHP operating funds, if necessary.

#### 2. Summary of Significant Accounting Policies

CHP is domiciled in the State of Florida and is required to prepare statutory financial statements in accordance with the *National Association of Insurance Commissioners ("NAIC") Accounting Practices and Procedures Manual*, subject to any deviations prescribed or permitted by the Office of Insurance Regulation of the State of Florida ("OIR"), the basis for statutory accounting practices ("SAP"). For the years ending 2016 and 2015, there were no differences between NAIC SAP and practices prescribed or permitted by OIR of the State of Florida. Accordingly, these statutory financial statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America ("GAAP"). We have prepared the Company's financial statements on the basis that the Company is able to continue as a going concern. There are no conditions or events, considered in the aggregate, that arise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued.

The accounting policies utilized in preparing the statutory financial statements differ in certain respects from those which would have been used if these financial statements were prepared in accordance with GAAP. The most significant differences are:

- Certain assets are designated as "nonadmitted assets" for statutory accounting purposes. These nonadmitted assets include certain accounts receivable, nonoperating system software, prepaid insurance, and maintenance assets. These differences have been charged to surplus.
- For statutory purposes, CHP's bonds, which are comprised of United States of America ("U.S.") Government treasury and agency securities, municipal bonds, corporate bonds, and mortgage and asset backed securities, are primarily reported at amortized cost. For GAAP, such investments are reported at fair value as of the financial statement date.

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

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A reconciliation of statutory surplus to unrestricted net assets GAAP as of December 31, 2016 and 2015 is as follows:

<i>(in thousands of dollars)</i>	<b>2016</b>	<b>2015</b>
Statutory surplus	\$ 371,003	\$ 364,133
Unrealized (loss) gain on investments	(97)	1,810
Nonadmitted assets	<u>11,224</u>	<u>10,500</u>
Unrestricted net assets-GAAP	<u>\$ 382,130</u>	<u>\$ 376,443</u>

A reconciliation of statutory net income to net income - GAAP as of December 31, 2016 and 2015 is as follows:

<i>(in thousands of dollars)</i>	<b>2016</b>	<b>2015</b>
Statutory net income	\$ 4,564	\$ 8,771
Change in unrealized gain (loss) on investments	<u>702</u>	<u>(8,835)</u>
Net income-GAAP	<u>\$ 5,266</u>	<u>\$ (64)</u>

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance was issued to increase transparency by requiring the recognition of lease assets and lease liabilities on the Statement of Financial Position by lessees and disclosure of key information about leasing arrangements by lessors and lessees. The guidance, effective for calendar year 2020, is being reviewed to determine the impact to CHP's annual financial statements upon adoption.

**Cash and Cash Equivalents and Short-Term Investments**

Cash and cash equivalents consist of cash demand deposits, certificates of deposit, and investments with original maturities of 90 days or less from the date of purchase. CHP's management places its cash and cash equivalents with creditworthy financial institutions and thus limits its credit exposure. Short-term investments, which include money market funds, have a maturity when purchased of less than one year. The carrying amounts of cash and cash equivalents approximate their fair value.

**Receivables and Payables for Securities**

The amounts receivable or payable for investments with settlements pending result from the sales or purchases of investments made prior to the end of the fiscal year, but settled after the fiscal year-end.

**Investments**

Bonds are comprised of U.S. Government treasury and agency securities, municipal bonds, corporate bonds, and mortgage-backed and asset-backed securities, and are primarily carried at amortized cost. Amortization of bond premium or discount is calculated using the prospective interest method, taking into consideration specific interest and principal provisions over the life of the bond. Bonds, including loan-backed securities, are stated at the lower of amortized cost or fair value, based upon NAIC designation. Loan-backed securities are stated at amortized cost using the scientific interest method including anticipated prepayments at the date of purchase. Bonds have a maturity date exceeding one year from the date of purchase. Realized investment gains and losses are calculated on a weighted-average basis of identification and are included in net

# Capital Health Plan, Inc.

## Notes to Statutory Financial Statements

### December 31, 2016 and 2015

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realized investment gains. Common stocks are comprised of mutual funds and reported at fair market value. Investment income is reported net of investment expenses.

Bonds and common stocks are considered impaired and are written down to fair value through the statutory statements of income and changes in surplus when management expects a decline in value to persist (i.e. the decline is “other-than-temporary”), intends to sell the security prior to recovery, or if it is more likely than not that CHP will be required to sell the security prior to recovery. With respect to securities where the decline in value is determined to be temporary and the security’s value is not written down, a subsequent decision may be made to sell that security and realize a loss. If a security’s decline in fair value is not expected to be fully recovered prior to the expected time of sale, CHP would record an other-than-temporary impairment in the period in which the decision to sell is made.

#### **Fair Value of Financial Instruments**

In accordance with Statements of Statutory Accounting Practices (“SSAP 100”) – *Fair Value Measurements*, which establishes a framework for measuring and reporting fair value, levels are classified based on types of inputs used to measure fair value and are prioritized by the fair value hierarchy established by SSAP 100. Highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and lowest to unobservable inputs (Level 3 measurement). CHP obtains pricing for investments from a single pricing service, Interactive Data Corporation (“IDC”).

The three levels of the fair value hierarchy defined by SSAP 100 are as follows:

- Level 1 Pricing inputs are based on quoted prices available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies.
- Level 3 Pricing inputs include significant inputs that are generally less observable or unobservable from objective sources and may include internally developed methodologies that result in management’s best estimate of fair value from the perspective of a market participant.

The following methods and assumptions were used to determine fair value of each class:

**Bonds:** CHP obtains pricing for bonds from a single pricing service, Interactive Data Corporation (“IDC”). Based on CHP’s internal price verification procedures and review of fair value methodology documentation provided by independent pricing services, CHP has not historically adjusted the prices obtained from the pricing service. In situations where IDC does not have multiple observable inputs or the ability to price a given security, a price is obtained from another pricing service or by obtaining nonbinding broker or dealer quotes.

**Common Stocks:** Fair values are generally designated as Level 1 and are based on net asset value which is determined by the value of the underlying securities which are based on quoted market prices.

# Capital Health Plan, Inc.

## Notes to Statutory Financial Statements

### December 31, 2016 and 2015

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#### **Real Estate Investments, Net**

Real estate investments, net, which include expenditures for significant improvements, are recorded at cost, less accumulated depreciation. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as other income or expense in the statutory statements of income and changes in surplus. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets, which range from five to forty years. Real estate investments are reviewed for possible impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable or exceeds fair value as determined by a recent appraisal. No losses were incurred for either 2016 or 2015 as a result of this review.

#### **Concentration of Credit Risk**

Investments in cash demand deposits are held primarily in interest-bearing accounts with major banks which exceed federally insured amounts. Investments in money market accounts are not federally insured. The financial stability of these institutions and money market accounts are reviewed on a continuous basis. Credit losses are not anticipated. Bonds, including loan-backed securities, are diversified and include investment grade securities that are rated at the time of purchase by nationally recognized statistical rating organizations. These credit ratings are routinely reviewed and holdings are adjusted accordingly.

CHP's potential exposure to subprime lending is limited to investments within its bond investment portfolio which contain securities collateralized by mortgages that have characteristics of subprime lending. CHP's bond investment policy limits securities that are backed by subprime mortgages. As of December 31, 2016 and 2015, there were no securities backed by subprime mortgages.

CHP has concentration of credit risk with respect to unpaid premiums and business volume. CHP maintains the right to terminate coverage for employer groups and individuals who fail to pay premiums timely. CHP has one customer, the State of Florida, that accounts for 38% of CHP's direct premium income for 2016 and 2015. CHP has provided health care coverage to State of Florida employees and its retirees for the past 34 years. CHP has a current contract through 2017. While inherently impossible to predict, a loss of the State of Florida contract could have adverse results on CHP operations.

#### **Geographic Concentration Risk**

CHP's business is generated within a limited service area. Accordingly, a disruption in membership or revenue within this service area might have a more significant effect on the Company than a more geographically diversified company and could have an adverse impact on CHP's financial condition and operating results.

#### **Furniture and Equipment, Net**

Furniture and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method, based on the estimated useful lives of the related assets which range from three to five years. Upon retirement or disposal, the related asset and corresponding accumulated depreciation are removed from CHP's accounts and any gain or loss is reflected in operations.

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

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**Claims Unpaid and Unpaid Claims Adjustment Expenses**

Claims unpaid includes an accrual for incurred but unpaid and unreported claims. The liability is based upon estimates of the eventual net cost of such services provided to members through the end of the year. Estimates of unpaid and unreported claims are based upon claims payment experience. The methods used in determining the liability are periodically reviewed and any adjustments resulting from these revisions are reflected in current operations. The assumptions used are actuarially based and represent good and sufficient provision for all incurred but unpaid and unreported claims. Administrative costs to process outstanding claims are included in unpaid claims adjustment expenses.

**Revenue Recognition**

All of CHP's individual and group contracts provide for the individual or group to be fully insured. Premiums for these contracts are billed on a monthly basis in advance of the coverage period and are recognized as revenue ratably over the period of coverage. Fee-for-service income, investment income, and other revenue are recognized when earned.

**Accounting for the Medicare Advantage and Part D Prescription Drug Program**

CHP offers Medicare Advantage and Part D prescription drug insurance coverage under a contract with the Centers for Medicare & Medicaid Services ("CMS"). Premiums received in advance are recorded as unearned premiums. Costs for covered medical and prescription drugs are expensed as incurred. CMS utilizes a risk adjustment model which adjusts the payment for enrollees based on the underlying health condition of the beneficiaries. Under this model, member payments are adjusted in subsequent periods after CHP has submitted the final medical diagnosis information to CMS. CHP recorded premium receivable of approximately \$2,413,000 and \$4,131,000 for these unpaid premiums for December 31, 2016 and 2015, respectively.

Under the Medicare Part D program, a risk sharing arrangement provides a risk corridor whereby the target amount (premiums received from members and CMS based on CHP's annual bid amount less administrative expenses) is compared to actual drug cost incurred during the contract year. Based upon the actual drug expense incurred a receivable from, or a payable to, CMS is recorded as an adjustment to premiums. Low-income cost subsidy and reinsurance amounts are paid prospectively for individual Medicare members by CMS and reduce medical expense as incurred. CMS reimburses low-income cost subsidy and reinsurance retrospectively for employer group Medicare members which are recorded as a reduction to medical expense when incurred. Reconciliations for both individual and employer group Medicare members on the final risk sharing, low-income and reinsurance amounts are required annually. CHP recorded a net receivable of approximately \$3,286,000 and \$3,983,000 at December 31, 2016 and 2015, respectively.

As a Medicare plan sponsor, CHP administers the Medicare coverage gap subsidy, a discount from pharmaceutical manufacturers on brand drug costs to Medicare Part D enrollees exceeding their initial coverage limit until they qualify for catastrophic coverage. Amounts paid to pharmacies for this discount by CHP are recorded as a receivable in premiums and other receivables, net, until the discount reimbursement is received from the pharmaceutical manufacturers. As of December 31, 2016 and 2015, pharmaceutical manufacturer receivables were approximately \$1,591,000 and \$1,830,000, respectively.

# Capital Health Plan, Inc.

## Notes to Statutory Financial Statements

### December 31, 2016 and 2015

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#### **Premiums and Consideration Receivables, Net**

Premiums and other consideration receivables are reported net of an allowance for estimated uncollectible accounts of approximately \$54,000 and \$129,000 at December 31, 2016 and 2015, respectively, which is calculated based upon historical activity and management's estimate of collectability. The carrying amount of CHP's receivables approximate fair values. None of the receivables are held for sale.

#### **Health Care Receivables, Net**

Health care receivables consist of pharmaceutical rebates and other receivables. Pharmaceutical rebates ("rebates") are generally volume discounts negotiated with drug manufacturers by CHP's pharmacy benefit manager on behalf of the Company. Rebates are earned when a medication is dispensed to CHP's members. CHP estimates rebates based on historical rebate patterns and the arrangement between CHP and its pharmacy benefit management company. Rebates are recorded in health care receivables and as a reduction to hospital and medical expenses (Note 13). Other receivables, primarily fee-for-service receivables, are reported net of an allowance for estimated uncollectible amounts. The allowance for uncollectible accounts supports all receivables aged in excess of 90 days. The allowance for uncollectible accounts was \$30,000 and \$25,000 at December 31, 2016 and 2015, respectively.

#### **Health Care Service Cost Recognition**

CHP contracts with various health care providers for the provision of certain medical services to its members. CHP compensates these providers on a capitated and noncapitated basis. These expenses are included in hospital and medical expenses in the statutory statements of income and changes in surplus.

#### **Reinsurance Recognition**

Reinsurance premiums are recorded as a reduction in premium income, and reinsurance recoveries are recorded as a reduction of hospital and medical expense when the eligible insured amount of the event can be estimated.

#### **Malpractice Insurance**

Malpractice insurance coverage is provided on a claims-made basis. The claims-made policies, which are subject to renewal on an annual basis, cover only claims made during the term of the policies. CHP is not aware of any claims that arose during the fiscal year that will be reported outside the policy renewal period. Accordingly, no provision for such claims was made at December 31, 2016 and 2015.

#### **Use of Estimates and Assumptions**

The accompanying financial statements have been prepared in conformity with the accounting practices prescribed or permitted by the OIR, which requires management to make certain estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements, and the reported amounts of revenue and expenses during the reporting periods.

### **3. Tax Status**

CHP has been granted an exemption from Federal income tax under the Internal Revenue Code, Section 501(c) (4). The Internal Revenue Code provides for taxation of certain unrelated business income. CHP had no significant unrelated business income in 2016 and 2015.

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

**4. Investments**

The amortized cost and fair value of investments for the years ended December 31, 2016 and 2015 is set forth in the following table.

<i>(in thousands of dollars)</i>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>2016</b>				
U.S. Government and agencies	\$ 234,585	\$ 1,917	\$ (2,644)	\$ 233,858
Corporate	69,591	1,104	(464)	70,231
Commercial mortgage backed securities	5,262	72	(53)	5,281
Other	34,126	350	(380)	34,096
Total bonds	<u>343,564</u>	<u>3,443</u>	<u>(3,541)</u>	<u>343,466</u>
Common stocks	<u>74,753</u>	<u>13,854</u>	<u>(1,634)</u>	<u>86,973</u>
	<u>\$ 418,317</u>	<u>\$ 17,297</u>	<u>\$ (5,175)</u>	<u>\$ 430,439</u>
<b>2015</b>				
U.S. Government and agencies	\$ 221,965	\$ 2,753	\$ (1,236)	\$ 223,482
Corporate	68,479	1,168	(1,033)	68,614
Commercial mortgage backed securities	5,955	133	(39)	6,049
Other	31,526	429	(364)	31,591
Total bonds	<u>327,925</u>	<u>4,483</u>	<u>(2,672)</u>	<u>329,736</u>
Common stocks	<u>68,315</u>	<u>11,223</u>	<u>(1,613)</u>	<u>77,925</u>
	<u>\$ 396,240</u>	<u>\$ 15,706</u>	<u>\$ (4,285)</u>	<u>\$ 407,661</u>

The expected maturities of the investments are shown below. Expected maturities may differ from actual maturities due to call or prepayment provisions.

<i>(in thousands of dollars)</i>	<b>2016</b>		<b>2015</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in one year or less	\$ 299	\$ 300	\$ 195	\$ 194
Due after one year through five years	129,735	130,085	123,957	124,807
Due after five years through ten years	69,015	68,640	64,525	64,009
Due after ten years	144,515	144,441	139,248	140,726
	<u>\$ 343,564</u>	<u>\$ 343,466</u>	<u>\$ 327,925</u>	<u>\$ 329,736</u>

The difference between amortized cost and fair value on these bonds totaled approximately (\$98,000) and \$1,811,000 as of December 31, 2016 and 2015, respectively. Proceeds from sales of total investments during 2016 and 2015 were approximately \$219,638,000 and \$213,411,000, respectively. There were no maturities of debt securities in 2016 and 2015. Gross gains of approximately \$3,732,000 and \$3,692,000 and gross losses of approximately \$635,000 and \$557,000 were realized on those sales in 2016 and 2015, respectively. There were no write downs for impairment during 2016 and 2015.

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

As of December 31, 2016 and 2015, investments with a decline in fair value below amortized cost were as follows, including the length of time of such decline:

<i>(in thousands of dollars)</i>	One Year or Less			More than One Year			Total		
	Fair Value	Unrealized Loss	Amortized Cost	Fair Value	Unrealized Loss	Amortized Cost	Fair Value	Unrealized Loss	Amortized Cost
<b>2016</b>									
US Government and agencies	\$ 97,993	\$ (1,734)	\$ 99,727	\$ 58,350	\$ (910)	\$ 59,260	\$ 156,343	\$ (2,644)	\$ 158,987
Corporate	11,896	(323)	12,219	12,554	(141)	12,695	24,450	(464)	24,914
Other	11,597	(290)	11,887	7,353	(90)	7,443	18,950	(380)	19,330
Commercial mortgage backed securities	993	(45)	1,038	1,022	(8)	1,030	2,015	(53)	2,068
Total bonds	122,479	(2,392)	124,871	79,279	(1,149)	80,428	201,758	(3,541)	205,299
Common stocks	6,304	(49)	6,353	12,838	(1,585)	14,423	19,142	(1,634)	20,776
	<u>\$ 128,783</u>	<u>\$ (2,441)</u>	<u>\$ 131,224</u>	<u>\$ 92,117</u>	<u>\$ (2,734)</u>	<u>\$ 94,851</u>	<u>\$ 220,900</u>	<u>\$ (5,175)</u>	<u>\$ 226,075</u>
<b>2015</b>									
US Government and agencies	\$ 89,487	\$ (635)	\$ 90,122	\$ 28,930	\$ (601)	\$ 29,531	\$ 118,417	\$ (1,236)	\$ 119,653
Corporate	20,761	(544)	21,305	14,236	(489)	14,725	34,997	(1,033)	36,030
Other	12,339	(232)	12,572	5,299	(132)	5,431	17,639	(364)	18,003
Commercial mortgage backed securities	1,520	(34)	1,554	269	(5)	274	1,788	(39)	1,827
Total bonds	124,107	(1,445)	125,553	48,734	(1,227)	49,961	172,841	(2,672)	175,514
Common stocks	5,835	(210)	6,046	11,537	(1,402)	12,939	17,372	(1,612)	18,985
	<u>\$ 129,942</u>	<u>\$ (1,655)</u>	<u>\$ 131,598</u>	<u>\$ 60,271</u>	<u>\$ (2,629)</u>	<u>\$ 62,900</u>	<u>\$ 190,213</u>	<u>\$ (4,285)</u>	<u>\$ 194,498</u>

Investments with gross unrealized losses were not considered “other-than-temporarily” impaired due to the duration, low magnitude of the losses, or indications of recovery, and the conclusion that collection of contractual amounts due is probable. As of December 31, 2016, CHP does not intend to sell the securities with an unrealized loss position and it is not likely that CHP will be required to sell these securities before recovery of their amortized costs.

<i>(in thousands of dollars)</i>	2016	2015
Investment income		
Dividends and interest	\$ 12,352	\$ 12,310
Amortization of premium and discount on investments, net	(2,117)	(2,346)
Rent for owner occupied property	2,595	2,517
Total investment income	12,830	12,481
Less: Investment expenses	(336)	(317)
Net investment income	<u>\$ 12,494</u>	<u>\$ 12,164</u>

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

**5. Fair Value of Financial Instruments**

The admitted assets and related fair values of all financial instruments, along with the levels within the fair value hierarchy used to determine the fair value measurements are as follows:

<i>(in thousands of dollars)</i>	<b>Admitted Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Fair Value</b>	<b>Not Practicable</b>
<b>2016</b>						
Cash, cash equivalents and short-term investments	\$ 10,023	\$ 10,023	\$ -	\$ -	\$ 10,023	\$ -
Bonds	343,564	53,435	290,031		343,466	-
Common stock	86,973	86,973			86,973	-
Total assets	<u>\$ 440,560</u>	<u>\$ 150,431</u>	<u>\$ 290,031</u>	<u>\$ -</u>	<u>\$ 440,462</u>	<u>\$ -</u>
<b>2015</b>						
Cash, cash equivalents and short-term investments	\$ 10,801	\$ 10,801	\$ -	\$ -	\$ 10,801	\$ -
Bonds	327,925	51,314	278,422		329,736	-
Common stock	77,925	77,925			77,925	-
Total assets	<u>\$ 416,651</u>	<u>\$ 140,040</u>	<u>\$ 278,422</u>	<u>\$ -</u>	<u>\$ 418,462</u>	<u>\$ -</u>

Transfers between levels are recognized at the beginning of the reporting period. There were no material transfers between levels in 2016 or 2015. There were no realized gains (losses) included in investment income and no unrealized gains and losses included in surplus that required disclosure for the years ending December 31, 2016 and 2015.

**6. Property and Equipment**

Furniture and equipment, net at December 31, consist of the following:

<i>(in thousands of dollars)</i>	<b>2016</b>	<b>2015</b>
Furniture and equipment	\$ 17,211	\$ 16,819
Medical furniture and equipment	4,021	3,949
	<u>21,232</u>	<u>20,768</u>
Accumulated depreciation	(18,914)	(17,842)
Nonadmitted assets	(1,197)	(1,693)
	<u>\$ 1,121</u>	<u>\$ 1,233</u>

Real estate investments, net at December 31 consist of the following:

<i>(in thousands of dollars)</i>	<b>2016</b>	<b>2015</b>
Property	\$ 35,112	\$ 34,660
Accumulated depreciation	(12,995)	(11,892)
	<u>\$ 22,117</u>	<u>\$ 22,768</u>

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

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Depreciation expense during 2016 and 2015 was approximately \$2,647,000 and \$2,600,000, respectively. During 2016, CHP disposed of fully depreciated equipment that was deemed to be no longer in use.

**7. Contractual Agreements**

**Hospitalization**

CHP has entered into contractual agreements with various hospitals to provide hospital services to CHP's members. In general these agreements automatically renew annually but can be terminated by sufficient notice.

**Other Services**

CHP has entered into additional contractual arrangements with certain physicians to provide laboratory and specialized services. In general these agreements automatically renew annually, but can be terminated by sufficient notice.

**8. Claims Unpaid and Unpaid Claims Adjustment Expenses**

Activity in claims unpaid and unpaid claims adjustment expenses is summarized as follows for the years ended December 31:

*(in thousands of dollars)*

	<b>2016</b>	<b>2015</b>
<b>Balances at January 1,</b>	<u>\$ 52,619</u>	<u>\$ 53,658</u>
Incurred related to		
Current year	587,630	544,568
Prior year	2,141	(5,270)
Total incurred	<u>589,771</u>	<u>539,298</u>
Paid related to		
Current year	526,371	491,949
Prior year	54,760	48,388
Total paid	<u>581,131</u>	<u>540,337</u>
<b>Balances at December 31,</b>	<u>\$ 61,259</u>	<u>\$ 52,619</u>

The balances above are comprised of claims unpaid (approximately \$60.7 million and \$52.1 million at December 31, 2016 and 2015, respectively), and unpaid claims adjustment expenses (approximately \$0.6 million and \$0.5 million at December 31, 2016 and 2015 respectively).

Changes in the provision for claims unpaid and unpaid claims adjustment expenses attributable to insured events of the prior year are primarily the result of changes in estimates due to changes in medical cost trends that emerged when compared to historical levels. These estimates are reviewed regularly by management and periodically by an independent consulting actuary, and are adjusted as necessary as new information becomes known. Such adjustments are included in current operations.

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

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**9. Surplus**

CHP is required by the OIR to maintain statutory surplus not less than the greater of \$1.5 million; 10% of total liabilities; or 2% of annualized premium, which is approximately \$15,284,000 and \$14,293,000 as of December 31, 2016 and 2015, respectively. CHP's surplus exceeds OIR minimum statutory surplus requirements by approximately \$355,719,000 and \$349,840,000 as of December 31, 2016 and 2015, respectively.

Additionally, regulations require each HMO to ensure its statutory basis net income before taxes is not less than 2% of total revenues. CHP's statutory net income at December 31, 2016 and 2015 did not meet this requirement. If the HMO fails to meet the 2% requirement, a corrective action plan may be required. An HMO can request a waiver for filing the corrective action plan if net earnings is less than two percent of total revenue, but not a loss, and where certain other criteria are met. An administrative rule specifies a waiver shall be granted if these conditions are met. For 2015 CHP received a waiver from the OIR and at December 31, 2016 CHP met all of the criteria for a waiver and has requested a waiver of this requirement.

**10. Employee Benefits**

**Pension Plan**

CHP has a simplified employee pension plan (defined contribution plan) whereby contributions are made directly to employees' individual retirement accounts. Contributions, which are discretionary, are determined annually by CHP's management and allocated among participants in proportion to their eligible compensation during the plan year. All employees are eligible to participate and 100% vesting occurs after a six month length of service requirement is met. Contributions during 2016 and 2015 were approximately \$3,802,000 and \$3,600,000, respectively.

**Postretirement Benefits Other than Pension**

CHP adopted a postretirement benefit plan effective January 1, 2016 that provides health care insurance to retiring employees that meet certain age and service eligibility requirements. CHP recorded an accumulated postretirement benefit obligation liability of \$12.3 million and \$10.6 million as of December 31, 2016 and 2015, respectively. The following table reflects the components of the benefit obligation at December 31, 2016.

*(in thousands of dollars)*

**Change in Benefit Obligation**

Benefit obligation, beginning of year	\$ 10,594
Service cost	512
Interest cost	487
Actuarial losses (gains)	681
Benefits paid	(18)
Benefit obligation, end of year	<u>\$ 12,256</u>

**Net Periodic Benefit Cost**

Current service cost	\$ 512
Current interest cost	487
Amortization of:	
Prior service and interest cost	1,102
Net periodic benefit cost	<u>\$ 2,101</u>

# Capital Health Plan, Inc.

## Notes to Statutory Financial Statements

### December 31, 2016 and 2015

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CHP expects to amortize approximately \$1.1 million from accumulated postretirement benefit obligation into net periodic benefit cost during 2017. Actuarial losses (gains) are amortized using the straight-line method over the remaining service period of active employees expected to receive benefits from the plan.

Weighted-average assumptions used in determining the postretirement benefit obligation as of December 31, 2016 were:

Discount rate	4.4%
Ultimate medical trend	5.0%

Increasing the assumed medical trend by 1% would increase the accumulated benefit obligation at December 31, 2016 by \$4.2 million and increase the 2016 benefit expense by \$0.5 million. Decreasing medical trend by 1% would decrease the accumulated benefit obligation by \$3 million and decrease the 2016 benefit expense by \$0.3 million.

The health care premiums will be supported by CHP general assets as well as contributions received for eligible participants. The company expects to receive minimal contributions to the postretirement health care plan during 2017. The following table provides expected benefit payments for the years indicated:

*(in thousands of dollars)*

2017	\$	40
2018		58
2019		77
2020		97
2021		110
2022		122
2023-2026		702

#### 11. Reinsurance

CHP reinsures certain risks with another insurance company. The reinsurance agreement provides 50%-90% coverage for eligible inpatient hospital and transplant services in excess of a specific deductible of \$700,000 during 2016 and 2015 for each covered member. The reinsurance policy has a maximum reinsurance coverage limit of \$3,000,000 per member per year. If the reinsurance carrier fails to meet its commitment under the reinsurance agreements, CHP will be liable for the covered services. Total premiums paid during 2016 and 2015 were approximately \$403,000 and \$497,000, respectively. Direct recoveries and experience refunds associated with premiums paid during 2016 and 2015 totaled approximately \$860,000 and \$195,000, respectively. As of December 31, 2016 and 2015, the amounts due to CHP under these reinsurance agreements were nonadmitted and were approximately \$890,000 and \$80,000, respectively.

#### 12. Commitments and Contingencies

##### Litigation

In the normal course of business, CHP is routinely involved in litigation with insured parties, beneficiaries, healthcare providers and others. In management's opinion, based upon the advice of external legal counsel, there is no litigation or unasserted claims outstanding that would have a material adverse effect on CHP's financial position, results of operations or cash flows.

# Capital Health Plan, Inc.

## Notes to Statutory Financial Statements

### December 31, 2016 and 2015

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#### **Line of Credit**

In June 2016, CHP amended its secure line of credit with Capital City Bank and increased the line of credit to \$30 million from \$25 million. Shares in Vanguard Institutional Fund, maintained by the Bank of New York Mellon, secure the new line at no less than an 80% loan to collateral value ratio. The agreement includes a variable floating rate of London Interbank Offered Rates ("LIBOR") plus 1.40% subject to a minimum interest rate of not less than 1.70% annually. As of December 31, 2016, the interest rate was 2.02%. As of December 31, 2016 and 2015 CHP had no borrowings outstanding and approximately \$4,000 and \$3,000 in interest payable, respectively. The agreement governing borrowing includes covenants, which serve to insure that CHP maintains adequate liquidity. CHP was in compliance with all debt covenants during each year and at December 31, 2016 and 2015.

#### **Regulatory Environment**

The Patient Protection and Affordable Care Act and The Health Care and Education Reconciliation Act of 2010 (collectively referred to as "Health Care Reform") considerably transforms various aspects of, and increases regulation within, the U.S. health insurance industry. Certain provisions of the legislation have already taken effect and have impacted CHP's operations including fee assessments and changes that have resulted in increased medical and administrative costs. With a new administration in place, CHP expects additional changes to occur within the U.S. health insurance industry in the coming years based on statements and executive orders of the new administration. However, the exact changes and impact of the changes to CHP's financial position, results of operation or cash flows cannot be determined.

CHP follows SSAP 106, Affordable Care Act Section 9010 Assessment: Fees Paid to the Federal Government by Health Insurers ("health insurer fee") for these costs required by Health Care Reform. The health insurer fee is being levied based on a ratio of an insurer's net health insurance premiums written for the previous calendar year compared to the total U.S. health insurance market. The guidance specifies that a liability be estimated and fully recognized in the calendar year the fee is payable with a corresponding deferred asset once qualifying health insurance is provided. The deferred asset is amortized straight-line over the year and the liability is relieved when paid. The health insurer fee will total \$11.3 billion for the industry in 2016, \$13.9 billion in 2017 and \$14.3 billion in 2018. Starting in 2019, the amount will be equal to the annual fee for the preceding year increased by the national rate of premium growth for the preceding year. During 2015, Congress passed legislation which imposes a moratorium for one year (2017) for the collection of the insurer fee. CHP's portion of the health insurer fee for 2016 and 2015 was \$6.4 million and \$6.5 million, respectively.

The following outlines certain other provisions of Health Care Reform that have already taken effect.

Medical loss ratio ("MLR") regulation of Health Care Reform. Commercial fully insured health plans in the individual and group health insurance markets are required to spend at least 85% of premiums earned from large employer groups and 80% of premiums earned from individual and small group markets on a combination of medical care claims and activities to improve health care quality. The regulations require health plans to provide rebates to policy holders for any portion below these minimum thresholds. Medicare Advantage and Part D plans are also subject to the 85% requirement. As of December 31, 2016 and 2015, CHP's MLR exceeded these requirements and therefore had no need to accrue a provision for rebates to policyholders for commercial fully insured health plans or CMS for CHP's Medicare Advantage and Part D plans.

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

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The temporary Reinsurance Program provides for partial reimbursement of high cost claims for certain eligible Affordable Care Act (“ACA”) individual plans sold on the exchange. CHP does not participate within the individual market and does not sell healthcare benefit plans on the exchange and, therefore, does not qualify for these recoveries. CHP is subject to the annual reinsurance fee mandated by Health Care Reform. For 2016, CHP recorded approximately \$3 million in reinsurance fees. The Reinsurance Program is temporary for the years 2014 – 2016.

The permanent Risk Adjustment Program provides for retrospective adjustments of revenue for certain individual and small group plans. The Risk Adjustment Program is designed such that payment to plans with higher relative risk is funded by transfers from plans with lower relative risk. Risk adjustment assessments and distributions are computed based on CHP’s risk score versus the overall market risk score after applying adjustments. CHP records a risk adjustment receivable or payable, with an adjustment to premiums when the amounts are reasonably estimable and collection is reasonably assured. During 2016, CHP received risk adjustment payments of approximately \$4 million related to 2015. CHP recorded risk adjustment receivable of approximately \$1.5 million and \$2.4 million as of December 31, 2016 and 2015, respectively.

The temporary Risk Corridor Program provides for gains and losses on individual and small group market plans, sold on the exchange, to be shared with the government. CHP does not sell healthcare benefit plans on the exchange and therefore is not subject this program. The Risk Corridor Program is temporary for the years 2014 – 2016.

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

**13. Pharmaceutical Rebate Receivable**

At December 31, 2016 and 2015, respectively, the estimated pharmaceutical rebate receivables were approximately \$5,436,000 and \$4,050,000 and were included in health care receivables, net in the statutory statement of admitted assets, liabilities and surplus.

The activity related to pharmaceutical rebates for the years ended December 31, 2016, 2015, and 2014 by quarter is summarized as follows:

*(in thousands of dollars)*

Quarter Ended	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing	Total Rebates Received
December 31, 2016	\$ 5,436	\$ -	\$ -	\$ -	\$ -
September 30, 2016	5,460	-	-	-	-
June 30, 2016	5,072	5,026	5,026	-	5,026
March 31, 2016	4,133	4,758	4,758	-	4,758
December 31, 2015	\$ 4,050	\$ 3,762	\$ 3,714	\$ 47	\$ 3,762
September 30, 2015	3,612	3,687	3,662	25	3,687
June 30, 2015	3,293	3,632	3,612	20	3,632
March 31, 2015	2,495	3,383	3,356	27	3,383
December 31, 2014	\$ 2,536	\$ 2,650	\$ 2,561	\$ 88	\$ 2,650
September 30, 2014	2,260	2,419	2,322	97	2,419
June 30, 2014	2,268	2,217	2,076	141	2,217
March 31, 2014	1,753	2,139	1,986	153	2,139

**14. Related Party Transactions**

A certain CHP Board member is affiliated with Capital City Bank where CHP maintains a banking relationship, including a secured line of credit (see Note 12). CHP paid bank service charges to this financial institution, net of interest received, of approximately \$70,000 and \$59,000 in 2016 and 2015, respectively. Interest paid to Capital City Bank was approximately \$95,000 and \$61,000 for 2016 and 2015, respectively. Total deposits reflected in cash and cash equivalent maintained at this financial institution were approximately \$2,692,000 and \$4,432,000 at December 31, 2016 and 2015, respectively.

A certain CHP board member provided medical services to CHP enrollees through January 2016. Total fees paid for these services were approximately \$23,000 and \$223,000 in 2016 and 2015, respectively.

CHP provides medical services to subscribers who are employed by certain companies who are managed or partially owned by certain members of CHP's board of directors. Total premiums paid to provide these services were approximately \$4,151,000 and \$3,856,000 in 2016 and 2015, respectively.

**Capital Health Plan, Inc.**  
**Notes to Statutory Financial Statements**  
**December 31, 2016 and 2015**

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CHP maintains an agreement with Florida Blue whereby the companies combine to offer certain group purchasers a multiple option health care program, which includes consolidated billing, administrative services, and a provision for equalizing underwriting gains and losses on these particular groups. CHP's payable to Florida Blue related to this agreement was approximately \$1,017,000 and \$1,083,000 at December 31, 2016 and 2015, respectively. CHP recorded approximately \$4,241,000 and \$4,761,000 of premiums collected from these groups under the consolidated billing arrangement with Florida Blue, in 2016 and 2015, respectively. CHP recorded approximately \$1,195,000 and \$674,000 equalization settlements for December 31, 2016 and 2015, respectively.

CHP also has agreements with Florida Blue and other related entities to provide certain administrative services. The total fees paid to Florida Blue under these agreements were approximately \$426,000 and \$255,000 in 2016 and 2015, respectively.

CHP contracted with Prime Therapeutics, Inc. ("Prime"), a pharmacy benefits management company, to administer its pharmaceutical benefits program. Prime is a related party to CHP through common control by Florida Blue.

**15. Subsequent Events**

CHP has evaluated subsequent events through March 30, 2017, the date the financial statements were available for issuance. No such events were noted.

# Capital Health Plan, Inc.

## Supplemental Investment Schedule

### December 31, 2016

#### Summary Investment Schedule

<i>(in millions)</i>	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage	Amount	Percentage
1. Bonds				
1.1 US Treasury Securities	53.6	11 %	53.6	11 %
1.2 US Government Agency Obligations (excluding mortgage-backed securities)				
1.21 Issued by US Government Agencies				
1.22 Issued by US Government Sponsored Agencies				
1.3 Non-U.S. Government (including Canada, excluding mortgage-backed securities)	6.4	1	6.4	1
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.				
1.41 State, territories and possessions general obligations				
1.42 Political subdivisions of states, territories, and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations	35.5	8	35.5	8
1.43 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS)				
1.51 Pass-through securities				
1.511 Issued or guaranteed by GNMA	41.8	9	41.8	9
1.512 Issued or guaranteed by FNMA and FHLMC	102.0	22	102.0	22
1.513 All other				
1.52 CMOs and REMICs				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	3.3	1	3.3	1
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				
1.523 All other	7.8	2	7.8	2
2. Other Debt and Other Fixed Income Securities (excluding short-term)				
2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)	70.0	15	69.6	15
2.2 Unaffiliated Non-U.S. (including Canada) securities	23.6	5	23.6	5
2.3 Affiliated securities				
3. Equity Interests				
3.1 Investment in mutual funds	87.0	18	87.0	18
3.2 Preferred stocks				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks)				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real Estate Investments				
5.1 Property occupied by the company	22.1	5	22.1	5
5.2 Property held for the production of income				
5.3 Property held for sale				
6. Contract loans				
7. Derivatives				
8. Receivables for securities	6.2	1	6.2	1
9. Securities Lending (Line 10, Asset Page reinvested collateral)				
10. Cash, cash equivalents and short-term investments	10.0	2	10.0	2
11. Other invested assets	0.0	0	-	0
Total invested assets	469.3	100 %	468.9	100 %

**Capital Health Plan, Inc.**  
**Supplemental Investment Risks Interrogatories**  
**December 31, 2016**

- (1) Reporting entity's total admitted assets as reported on Page 2 of the annual statement: approximately \$490 million.
- (2) Ten largest exposures to a single issuer/borrower/investment.

<i>(in millions)</i>	<b>Issuer</b>	<b>Description of Exposure</b>	<b>Amount</b>	<b>Percentage of Total Admitted Assets</b>
2.01	Morgan Stanley	Bonds & Mortgage Loans	\$ 2.8	0.6 %
2.02	JP Morgan Chase and Co	Bonds & Mortgage Loans	2.7	0.6 %
2.03	European Investment Bank	Bonds	2.6	0.5 %
2.04	Kreditanstalt Für Wiederaufbau	Bonds	2.3	0.5 %
2.05	International Bank for Recon	Bonds	2.1	0.4 %
2.06	Bank of America	Bonds	2.0	0.4 %
2.07	Citigroup Inc.	Bonds & Mortgage Loans	1.8	0.4 %
2.08	Goldman Sachs Group	Bonds	1.8	0.4 %
2.09	AT&T Inc.	Bonds	1.3	0.3 %
2.10	Inter-American Development Bank	Bonds	1.2	0.2 %

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

<i>(in millions)</i>	<b>Bonds</b>	<b>Amount</b>	<b>Percent</b>	<b>Preferred Stock</b>	<b>Amount</b>	<b>Percent</b>
3.01	NAIC - 1	\$ 301.6	61.6 %	3.07	P/RP - 1	\$ - 0.0 %
3.02	NAIC - 2	41.9	8.6 %	3.08	P/RP - 2	
3.03	NAIC - 3			3.09	P/RP - 3	
3.04	NAIC - 4			3.10	P/RP - 4	
3.05	NAIC - 5			3.11	P/RP - 5	
3.06	NAIC - 6			3.12	P/RP - 6	

- (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

<i>(in millions)</i>	<b>Amount</b>	<b>Percent</b>
4.02 Total admitted assets held in foreign investments	\$ 67.1	13.7 %
4.03 Foreign-currency-denominated investments		
4.04 Insurance liabilities denominated in that same foreign currency		

- (5) Aggregate foreign investment exposure categorized by NAIC sovereign rating:

<i>(in millions)</i>	<b>NAIC Sovereign Rating</b>	<b>Amount</b>	<b>Percent</b>
5.01	Countries rated NAIC - 1	\$ 62.0	12.7 %
5.02	Countries rated NAIC - 2	5.1	1.0
5.03	Countries rated NAIC - 3 or below		

**Capital Health Plan, Inc.**  
**Supplemental Investment Risks Interrogatories**  
**December 31, 2016**

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- (6) Largest foreign investment exposures by country, categorized by the country's NAIC sovereign rating:

<i>(in millions)</i>	<b>NAIC Sovereign Rating</b>	<b>Amount</b>	<b>Percent</b>
	Countries rated NAIC - 1		
6.01	Japan	\$ 9.6	2.0 %
6.02	United Kingdom	8.6	1.8
	Countries rated NAIC - 2		
6.03	Mexico	1.5	0.3
6.04	Spain	1.3	0.3
	Countries rated NAIC - 3 or below		
6.05	Country		
6.06	Country		

- (7) Aggregate unhedged foreign currency exposure:

<i>(in millions)</i>	<b>NAIC Sovereign Rating</b>	<b>Amount</b>	<b>Percent</b>
7.01		\$ -	0.0 %

- (8) Aggregate unhedged foreign currency exposure categorized by NAIC sovereign rating:

<i>(in millions)</i>	<b>NAIC Sovereign Rating</b>	<b>Amount</b>	<b>Percent</b>
8.01	Countries rated NAIC - 1	\$ -	0.0 %
8.02	Countries rated NAIC - 2	-	0.0
8.03	Countries rated NAIC - 3 or below	-	0.0

- (9) Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign rating:

<i>(in millions)</i>	<b>NAIC Sovereign Rating</b>	<b>Amount</b>	<b>Percent</b>
	Countries rated NAIC - 1		
9.01	Country	\$ -	0.0 %
9.02	Country	-	0.0
	Countries rated NAIC - 2		
9.03	Country	-	0.0
9.04	Country	-	0.0
	Countries rated NAIC - 3 or below		
9.05	Country	-	0.0
9.06	Country	-	0.0

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(10) Ten largest nonsovereign (i.e. nongovernmental) foreign issues

<i>(in millions)</i>	<b>Issuer</b>	<b>NAIC Rating</b>	<b>Amount</b>	<b>Percent</b>
10.01	European Investment Bank	1	\$ 2.6	0.5 %
10.02	Kreditanstalt Für Wiederaufbau	1	2.3	0.5
10.03	International Bank for Reconst	1	2.1	0.4
10.04	Inter-American Devel Bk	1	1.2	0.2
10.05	Credit Suisse New York	1	0.8	0.2
10.06	Cooperatieve Centrale Raiffeis	1	0.7	0.1
10.07	Shell International Finance BV	1	0.7	0.1
10.08	Asian Development Bank	1	0.7	0.1
10.09	HSBC Holdings PLC	1	0.6	0.1
10.10	Petroleos Mexicanos	2	0.6	0.1

(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)  (no)

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

(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)  (no)

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

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

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?

(yes)  (no)

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

<i>(in millions)</i>	<b>Issuer</b>	<b>Amount</b>	<b>Percent</b>
<b>Assets held in equity interests</b>			
13.02	Vanguard Institutional Index Fund	\$ 51.5	10.5 %
13.03	Fidelity Spartan International Fund	35.5	7.2

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(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?  X  (yes) \_\_\_ (no)

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

(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?  X  (yes) \_\_\_ (no)

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

(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?  X  (yes) \_\_\_ (no)

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

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

(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 in 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.

<i>(in millions)</i>	<b>Description</b>	<b>Amount</b>	<b>Percent</b>
18.02	Centerville Complex - Tallahassee, FL	\$ 11.7	2.4 %
18.03	Raymond Diehl Building - Tallahassee, FL	4.9	1.0
18.04	Governor's Square Building - Tallahassee, FL	4.8	1.0
18.05	Capital Oaks Building - Tallahassee, FL	.7	0.1

(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?  X  (yes) \_\_\_ (no)

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

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

<i>(in millions)</i>	Description	At Year-End		At End of Each Quarter		
		Amount	Percent	1st Qtr	2nd Qtr	3rd Qtr
20.01	Securities lending agreements (do not include assets held as collateral for such transactions)	\$ -	0.0 %	\$ -	\$ -	\$ -
20.02	Repurchase agreements	-	0.0	-	-	-
20.03	Reverse repurchase agreements	-	0.0	-	-	-
20.04	Dollar repurchase agreements	-	0.0	-	-	-
20.05	Dollar reverse repurchase agreements	-	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:

<i>(in millions)</i>	Description	Owned		Written	
		Amount	Percent	Amount	Percent
21.01	Hedging	\$ -	0.0 %	\$ -	0.0 %
21.02	Income generation	-	0.0	-	0.0
21.03	Other	-	0.0	-	0.0

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

<i>(in millions)</i>	Description	At Year-End		At End of Each Quarter		
		Amount	Percent	1st Qtr	2nd Qtr	3rd Qtr
22.01	Hedging	\$ -	0.0 %	\$ -	\$ -	\$ -
22.02	Income generation	-	0.0	-	-	-
22.03	Replications	-	0.0	-	-	-
22.04	Other	-	0.0	-	-	-

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

<i>(in millions)</i>	Description	At Year-End		At End of Each Quarter		
		Amount	Percent	1st Qtr	2nd Qtr	3rd Qtr
23.01	Hedging	\$ -	0.0 %	\$ -	\$ -	\$ -
23.02	Income generation	-	0.0	-	-	-
23.03	Replications	-	0.0	-	-	-
23.04	Other	-	0.0	-	-	-