



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2017
OF THE CONDITION AND AFFAIRS OF THE

Merit Health Insurance Company

NAIC Group Code	01260	(Current Period)	01260	(Prior Period)	NAIC Company Code	18750	Employer's ID Number	36-3856181
Organized under the Laws of	Illinois				State of Domicile or Port of Entry	Illinois		
Country of Domicile	United States							
Licensed as business type:	Life, Accident & Health [X]		Property/Casualty []		Hospital, Medical & Dental Service or Indemnity []			
	Dental Service Corporation []		Vision Service Corporation []		Health Maintenance Organization []			
	Other []		Is HMO, Federally Qualified? Yes [] No []					
Incorporated/Organized	11/23/1992		Commenced Business		01/08/1993			
Statutory Home Office	5215 Old Orchard Road, Suite 600				Skokie, IL, US 60077			
	(Street and Number)				(City or Town, State, Country and Zip Code)			
Main Administrative Office	5215 Old Orchard Road, Suite 600							
	Skokie, IL, US 60077				224-935-9809			
	(City or Town, State, Country and Zip Code)				(Area Code) (Telephone Number)			
Mail Address	5215 Old Orchard Road, Suite 600				Skokie, IL, US 60077			
	(Street and Number or P.O. Box)				(City or Town, State, Country and Zip Code)			
Primary Location of Books and Records	14100 Magellan Plaza							
	(Street and Number)							
	Maryland Heights, MO, US 63043				314-387-5006			
	(City or Town, State, Country and Zip Code)				(Area Code) (Telephone Number) (Extension)			
Internet Web Site Address	N/A							
Statutory Statement Contact	David P. Kunz				314-387-5006			
	(Name)				(Area Code) (Telephone Number) (Extension)			
	dpkunz@magellanhealth.com				888-656-3258			
	(E-Mail Address)				(Fax Number)			

OFFICERS

Name	Title	Name	Title
Mostafa Kamal	President	Andrew Mark Cummings	Secretary
Jeffrey Nelson West	Treasurer		

OTHER OFFICERS

Linton Clarke Newlin	Vice-President	Michael Patrick McQuillen	Assistant Secretary
John DiBernardi	Assistant Secretary	Sanjeev Srivastava	Vice-President
Anne McCabe	Vice-President		

DIRECTORS OR TRUSTEES

Mostafa Kamal	Michael Vallino	Julie Ann Billingsley	Jeffrey Nelson West
Barry Smith	Sanjeev Srivastava	Sakib Hassan	Daniel Gregoire

State of
County of ss

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

Mostafa Kamal President	Andrew Mark Cummings Secretary	Jeffrey Nelson West Treasurer
Subscribed and sworn to before me this day of ,		a. Is this an original filing? Yes [X] No [] b. If no: 1. State the amendment number 2. Date filed 3. Number of pages attached

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	2,850,931		2,850,931	2,682,033
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	0		0	11,695,939
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances).....			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$283,081 , Schedule E-Part 1), cash equivalents (\$3,733,178 , Schedule E-Part 2) and short-term investments (\$109,906 , Schedule DA).....	4,126,164		4,126,164	8,150,517
6. Contract loans (including \$ premium notes).....			0	0
7. Derivatives (Schedule DB).....	0		0	0
8. Other invested assets (Schedule BA)	0		0	0
9. Receivables for securities			0	0
10. Securities lending reinvested collateral assets (Schedule DL).....			0	0
11. Aggregate write-ins for invested assets	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	6,977,095	0	6,977,095	22,528,489
13. Title plants less \$ charged off (for Title insurers only).....			0	0
14. Investment income due and accrued	10,210		10,210	57,915
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection	2,611,747		2,611,747	735,843
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums).....			0	0
15.3 Accrued retrospective premiums (\$13,760,838) and contracts subject to redetermination (\$)	13,760,838		13,760,838	1,502,346
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers			0	0
16.2 Funds held by or deposited with reinsured companies			0	0
16.3 Other amounts receivable under reinsurance contracts			0	0
17. Amounts receivable relating to uninsured plans	36,519,277		36,519,277	71,831,502
18.1 Current federal and foreign income tax recoverable and interest thereon			0	1,309,188
18.2 Net deferred tax asset.....			0	0
19. Guaranty funds receivable or on deposit			0	0
20. Electronic data processing equipment and software.....			0	0
21. Furniture and equipment, including health care delivery assets (\$)			0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23. Receivables from parent, subsidiaries and affiliates			0	0
24. Health care (\$71,168,194) and other amounts receivable.....	80,830,182	9,661,988	71,168,194	45,728,320
25. Aggregate write-ins for other-than-invested assets	452,344	452,344	0	3,261,526
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	141,161,693	10,114,332	131,047,361	146,955,129
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	0
28. Total (Lines 26 and 27)	141,161,693	10,114,332	131,047,361	146,955,129
DETAILS OF WRITE-INS				
1101.				
1102.				
1103.				
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501. Health Insurance Fee Receivable.....			0	3,261,526
2502. Prepaid Other.....	452,344	452,344	0	
2503.				
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	452,344	452,344	0	3,261,526

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ reinsurance ceded)			0	843,480
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses	21,489		21,489	6,639
4. Aggregate health policy reserves, including the liability of \$ for medical loss ratio rebate per the Public Health Service Act.....			0	0
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves.....			0	0
8. Premiums received in advance	560,571		560,571	0
9. General expenses due or accrued	5,722,784		5,722,784	4,827,528
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses)).....	268,562		268,562	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable			0	0
12. Amounts withheld or retained for the account of others			0	0
13. Remittances and items not allocated			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	72,580,012		72,580,012	82,993,626
16. Derivatives.....		0	0	0
17. Payable for securities			0	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with \$ authorized reinsurers, \$ unauthorized reinsurers and \$ certified reinsurers).....			0	0
20. Reinsurance in unauthorized and certified (\$) companies.....			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans			0	0
23. Aggregate write-ins for other liabilities (including \$ current)	0	0	0	0
24. Total liabilities (Lines 1 to 23).....	79,153,418	0	79,153,418	88,671,272
25. Aggregate write-ins for special surplus funds	XXX	XXX	2,326,176	0
26. Common capital stock	XXX	XXX	2,000,000	1,500,000
27. Preferred capital stock	XXX	XXX		0
28. Gross paid in and contributed surplus	XXX	XXX	21,020,000	21,020,000
29. Surplus notes	XXX	XXX		0
30. Aggregate write-ins for other-than-special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	26,547,765	35,763,857
32. Less treasury stock, at cost:				
32.1 shares common (value included in Line 26 \$)	XXX	XXX		0
32.2 shares preferred (value included in Line 27 \$)	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	51,893,941	58,283,857
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	131,047,359	146,955,130
DETAILS OF WRITE-INS				
2301.			0	0
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	0	0	0	0
2501. Special Surplus related to HIF fees.....	XXX	XXX	2,326,176	0
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	2,326,176	0
3001. PY Adjustment.....	XXX	XXX		
3002.	XXX	XXX		
3003.	XXX	XXX		
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	1,221,487	619,040
2. Net premium income (including \$0 non-health premium income).....	XXX	102,721,070	55,455,444
3. Change in unearned premium reserves and reserve for rate credits	XXX	13,587,728	1,502,346
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	(3,040,140)	2,871,141
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	113,268,659	59,828,931
Hospital and Medical:			
9. Hospital/medical benefits		(1,272,212)	(3,459,724)
10. Other professional services			0
11. Outside referrals			0
12. Emergency room and out-of-area			0
13. Prescription drugs		103,157,689	50,861,994
14. Aggregate write-ins for other hospital and medical	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			0
16. Subtotal (Lines 9 to 15)	0	101,885,477	47,402,270
Less:			
17. Net reinsurance recoveries			0
18. Total hospital and medical (Lines 16 minus 17)	0	101,885,477	47,402,270
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$424,570 cost containment expenses.....		424,570	(30,542)
21. General administrative expenses.....		13,043,590	4,963,816
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only).....		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	115,353,637	52,335,543
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	(2,084,978)	7,493,388
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		66,932	4,676,231
26. Net realized capital gains (losses) less capital gains tax of \$0		10,401,479	(408)
27. Net investment gains (losses) (Lines 25 plus 26)	0	10,468,411	4,675,823
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]		0	0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	8,383,433	12,169,211
31. Federal and foreign income taxes incurred	XXX	(705,387)	3,409,879
32. Net income (loss) (Lines 30 minus 31)	XXX	9,088,820	8,759,332
DETAILS OF WRITE-INS			
0601. Health Insurance Fee Reimbursement Revenue.....	XXX	0	3,261,526
0602. Bad Debt.....	XXX	(1,612,340)	(390,385)
0603. Performance Penalty.....	XXX	(1,427,800)	
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	(3,040,140)	2,871,141
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	58,283,857	47,918,109
34. Net income or (loss) from Line 32	9,088,820	8,759,332
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	(6,373,219)	2,590,474
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	(8,129,065)	(984,467)
40. Change in unauthorized and certified reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	0	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend)	500,000	0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)	(500,000)	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	(976,452)	410
48. Net change in capital and surplus (Lines 34 to 47)	(6,389,916)	10,365,749
49. Capital and surplus end of reporting year (Line 33 plus 48)	51,893,942	58,283,857
DETAILS OF WRITE-INS		
4701. Unrecorded prior year audit adjustments.....	(976,452)	0
4702. Prior year adjustment.....		410
4703.		0
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(976,452)	410

CASH FLOW

Cash from Operations		1 Current Year	2 Prior Year
1. Premiums collected net of reinsurance		99,072,914	55,977,140
2. Net investment income		118,311	4,893,523
3. Miscellaneous income		4,590,763	(2,141)
4. Total (Lines 1 through 3)		103,781,989	60,868,522
5. Benefit and loss related payments		114,535,676	85,466,097
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
7. Commissions, expenses paid and aggregate write-ins for deductions		11,092,199	(260,891)
8. Dividends paid to policyholders			0
9. Federal and foreign income taxes paid (recovered) net of \$ tax on capital gains (losses)		(2,283,137)	11,596,041
10. Total (Lines 5 through 9)		123,344,737	96,801,247
11. Net cash from operations (Line 4 minus Line 10)		(19,562,748)	(35,932,725)
Cash from Investments			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds		670,000	12,405,000
12.2 Stocks		15,724,200	0
12.3 Mortgage loans		0	0
12.4 Real estate		0	0
12.5 Other invested assets		0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments		0	(408)
12.7 Miscellaneous proceeds		0	408
12.8 Total investment proceeds (Lines 12.1 to 12.7)		16,394,200	12,405,000
13. Cost of investments acquired (long-term only):			
13.1 Bonds		842,161	2,011,685
13.2 Stocks		0	0
13.3 Mortgage loans		0	0
13.4 Real estate		0	0
13.5 Other invested assets		0	0
13.6 Miscellaneous applications		0	0
13.7 Total investments acquired (Lines 13.1 to 13.6)		842,161	2,011,685
14. Net increase (decrease) in contract loans and premium notes		0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		15,552,039	10,393,315
Cash from Financing and Miscellaneous Sources			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes		0	0
16.2 Capital and paid in surplus, less treasury stock		0	0
16.3 Borrowed funds		0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0	0
16.5 Dividends to stockholders		0	0
16.6 Other cash provided (applied)		(13,644)	17,242
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)		(13,644)	17,242
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)		(4,024,353)	(25,522,168)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year		8,150,517	33,672,686
19.2 End of year (Line 18 plus Line 19.1)		4,126,164	8,150,517

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE Merit Health Insurance Company

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	102,721,070	0	0	0	0	0	0	0	102,721,070	0
2. Change in unearned premium reserves and reserve for rate credit	13,587,728								13,587,728	
3. Fee-for-service (net of \$ medical expenses)	0									XXX
4. Risk revenue.....	0									XXX
5. Aggregate write-ins for other health care related revenues.....	(3,040,140)	0	0	0	0	0	0	0	(3,040,140)	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	113,268,659	0	0	0	0	0	0	0	113,268,659	0
8. Hospital/medical benefits	(1,272,212)							(1,272,212)		XXX
9. Other professional services	0									XXX
10. Outside referrals	0									XXX
11. Emergency room and out-of-area	0									XXX
12. Prescription drugs	103,157,689								103,157,689	XXX
13. Aggregate write-ins for other hospital and medical.....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts.....	0									XXX
15. Subtotal (Lines 8 to 14)	101,885,477	0	0	0	0	0	0	(1,272,212)	103,157,689	XXX
16. Net reinsurance recoveries	0									XXX
17. Total hospital and medical (Lines 15 minus 16)	101,885,477	0	0	0	0	0	0	(1,272,212)	103,157,689	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ cost containment expenses.....	424,570								424,570	
20. General administrative expenses	13,043,590								13,043,590	
21. Increase in reserves for accident and health contracts	0									XXX
22. Increase in reserves for life contracts.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22)	115,353,637	0	0	0	0	0	0	(1,272,212)	116,625,848	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	(2,084,978)	0	0	0	0	0	0	1,272,212	(3,357,190)	0
DETAILS OF WRITE-INS										
0501. Performance Penalty - Medicare Part D.....	(1,427,800)								(1,427,800)	XXX
0502. Medicare Part D Bad Debt	(1,612,340)								(1,612,340)	XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	(3,040,140)	0	0	0	0	0	0	0	(3,040,140)	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page.....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.										XXX
1302.										XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)				.0
2. Medicare Supplement				.0
3. Dental only.....				.0
4. Vision only.....				.0
5. Federal Employees Health Benefits Plan				.0
6. Title XVIII - Medicare				.0
7. Title XIX - Medicaid.....				.0
8. Other health.....	102,721,070			102,721,070
9. Health subtotal (Lines 1 through 8)	102,721,070	.0	.0	102,721,070
10. Life				.0
11. Property/casualty.....				.0
12. Totals (Lines 9 to 11)	102,721,070	0	0	102,721,070

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE Merit Health Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non- Health
1. Payments during the year:										
1.1 Direct	102,728,957							(428,732)	103,157,689	
1.2 Reinsurance assumed	0									
1.3 Reinsurance ceded	0									
1.4 Net	102,728,957	0	0	0	0	0	0	(428,732)	103,157,689	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	0	0	0	0	0	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
3.4 Net	0	0	0	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0									
6. Net healthcare receivables (a)	0									
7. Amounts recoverable from reinsurers December 31, current year	0									
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	843,480	0	0	0	0	0	0	843,480	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
8.4 Net	843,480	0	0	0	0	0	0	843,480	0	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct	101,885,477	0	0	0	0	0	0	(1,272,212)	103,157,689	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
12.4 Net	101,885,477	0	0	0	0	0	0	(1,272,212)	103,157,689	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	0									
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	0	0	0	0	0	0	0	0	0	0
2. Incurred but Unreported:										
2.1. Direct	0									
2.2. Reinsurance assumed	0									
2.3. Reinsurance ceded	0									
2.4. Net	0	0	0	0	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	0									
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1. Direct	0	0	0	0	0	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
4.4. Net	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)					0	0
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan					0	0
6. Title XVIII - Medicare					0	0
7. Title XIX - Medicaid.....	(428,732)		0	0	(428,732)	843,480
8. Other health		103,157,689			0	0
9. Health subtotal (Lines 1 to 8).....	(428,732)	103,157,689	0	0	(428,732)	843,480
10. Healthcare receivables (a).....					0	0
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals (Lines 9-10+11+12)	(428,732)	103,157,689	0	0	(428,732)	843,480

(a) Excludes \$ loans or advances to providers not yet expensed.

Pt 2C - Sn A - Paid Claims - Comp
NONE

Pt 2C - Sn A - Paid Claims - MS
NONE

Pt 2C - Sn A - Paid Claims - DO
NONE

Pt 2C - Sn A - Paid Claims - VO
NONE

Pt 2C - Sn A - Paid Claims - FE
NONE

Pt 2C - Sn A - Paid Claims - XV
NONE

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE Merit Health Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	78,327	77,698	77,951	77,935	77,935
2. 2013	82,892	104,408	105,488	105,471	105,483
3. 2014	XXX	89,163	103,748	103,813	103,839
4. 2015	XXX	XXX	94,081	98,959	98,492
5. 2016	XXX	XXX	XXX	.0	.0
6. 2017	XXX	XXX	XXX	XXX	0

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	81,603	78,096	77,950	77,935	77,935
2. 2013	106,762	105,613	105,555	105,474	105,483
3. 2014	XXX	111,358	104,184	103,826	103,839
4. 2015	XXX	XXX	102,792	99,787	98,492
5. 2016	XXX	XXX	XXX	.0	.0
6. 2017	XXX	XXX	XXX	XXX	0

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2013.....	128,583	105,483	.0	0.0	105,483	82.0	.0	.0	105,483	82.0
2. 2014.....	125,875	103,839	.0	0.0	103,839	82.5	.0	.0	103,839	82.5
3. 2015.....	114,754	98,492	.0	0.0	98,492	85.8	.0	.0	98,492	85.8
4. 2016.....	(16)	.0	.0	0.0	.0	0.0	.0	.0	.0	0.0
5. 2017	0	0	0	0.0	0	0.0	0	0	0	0.0

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE Merit Health Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(\$000 Omitted)

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	40,775	40,775	40,775	40,775	40,775
2. 2013	.0	.0	.0	.0	
3. 2014	XXX	.0	.0	.0	
4. 2015	XXX	XXX	.0		
5. 2016	XXX	XXX	XXX	50,862	50,862
6. 2017	XXX	XXX	XXX	XXX	103,158

Section B – Incurred Health Claims - Other

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	40,775	40,775	40,775	40,775	40,775
2. 2013	.0	.0	.0	.0	
3. 2014	XXX	.0	.0	.0	
4. 2015	XXX	XXX	.0	.0	
5. 2016	XXX	XXX	XXX	50,862	50,862
6. 2017	XXX	XXX	XXX	XXX	103,158

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Other

	1	2	3	4	5	6	7	8	9	10
Years in which Premiums were Earned and Claims were Incurred	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2+3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1. 2013.....	.0	.0		.0	.0	.0			.0	.0
2. 2014.....	.0	.0		.0	.0	.0			.0	.0
3. 2015.....	.0	.0		.0	.0	.0			.0	.0
4. 2016.....	55,472	50,862		.0	50,862	91.7			50,862	91.7
5. 2017	102,721	103,158		0.0	103,158	100.4		21	103,179	100.4

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE Merit Health Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(\$000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	119,102	118,473	118,726	118,710	118,710
2. 2013	82,892	104,408	105,488	105,471	105,483
3. 2014	XXX	89,163	103,748	103,813	103,839
4. 2015	XXX	XXX	94,081	98,959	98,492
5. 2016	XXX	XXX	XXX	50,862	50,862
6. 2017	XXX	XXX	XXX	XXX	103,158

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2013	2 2014	3 2015	4 2016	5 2017
1. Prior	122,378	118,870	118,725	118,710	118,710
2. 2013	106,762	105,613	105,555	105,474	105,483
3. 2014	XXX	111,358	104,184	103,826	103,839
4. 2015	XXX	XXX	102,792	99,787	98,492
5. 2016	XXX	XXX	XXX	50,862	50,862
6. 2017	XXX	XXX	XXX	XXX	103,158

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2013	128,583	105,483	0	0.0	105,483	82.0	0	0	105,483	82.0
2. 2014	125,875	103,839	0	0.0	103,839	82.5	0	0	103,839	82.5
3. 2015	114,754	98,492	0	0.0	98,492	85.8	0	0	98,492	85.8
4. 2016	55,456	50,862	0	0.0	50,862	91.7	0	0	50,862	91.7
5. 2017	102,721	103,158	0	0.0	103,158	100.4	0	21	103,179	100.4

Pt 2C - Sn B - Incurred Claims - Comp

NONE

Pt 2C - Sn B - Incurred Claims - MS

NONE

Pt 2C - Sn B - Incurred Claims - DO

NONE

Pt 2C - Sn B - Incurred Claims - VO

NONE

Pt 2C - Sn B - Incurred Claims - FE

NONE

Pt 2C - Sn B - Incurred Claims - XV

NONE

Part 2C - Sn C - Claims Expense Ratio Co
NONE

Part 2C - Sn C - Claims Expense Ratio MS
NONE

Part 2C - Sn C - Claims Expense Ratio DO
NONE

Part 2C - Sn C - Claims Expense Ratio VO
NONE

Part 2C - Sn C - Claims Expense Ratio FE
NONE

Part 2C - Sn C - Claims Expense Ratio XV
NONE

ANNUAL STATEMENT FOR THE YEAR 2017 OF THE Merit Health Insurance Company

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves.....	.0								
2. Additional policy reserves (a).....	.0								
3. Reserve for future contingent benefits.....	.0								
4. Reserve for rate credits or experience rating refunds (including \$ for investment income).....	.0								
5. Aggregate write-ins for other policy reserves	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (gross)	.0	.0	.0	.0	.0	.0	.0	.0	.0
7. Reinsurance ceded	.0								
8. Totals (Net) (Page 3, Line 4)	0	0	0	0	0	0	0	0	0
9. Present value of amounts not yet due on claims	.0	NONE							
10. Reserve for future contingent benefits	.0								
11. Aggregate write-ins for other claim reserves	.0								
12. Totals (gross)	.0								
13. Reinsurance ceded	.0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$for occupancy of own building)			(965)		(965)
2. Salaries, wages and other benefits	413,628		2,235,218		2,648,846
3. Commissions (less \$ceded plus \$assumed)					0
4. Legal fees and expenses					0
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services			36,522		36,522
7. Traveling expenses	3,690		28,872		32,562
8. Marketing and advertising			7,288		7,288
9. Postage, express and telephone	896		6,512		7,408
10. Printing and office supplies	806		4,065,672		4,066,478
11. Occupancy, depreciation and amortization					0
12. Equipment					0
13. Cost or depreciation of EDP equipment and software			2,694		2,694
14. Outsourced services including EDP, claims, and other services	5,550		3,161,532		3,167,082
15. Boards, bureaus and association fees					0
16. Insurance, except on real estate					0
17. Collection and bank service charges			477,860	2,972	480,832
18. Group service and administration fees					0
19. Reimbursements by uninsured plans			(9,561,989)		(9,561,989)
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes					0
23.3 Regulatory authority licenses and fees			376,803		376,803
23.4 Payroll taxes					0
23.5 Other (excluding federal income and real estate taxes)			12,451		12,451
24. Investment expenses not included elsewhere					0
25. Aggregate write-ins for expenses	0	0	12,195,119	0	12,195,119
26. Total expenses incurred (Lines 1 to 25)	424,570	0	13,043,590	2,972	(a) 13,471,131
27. Less expenses unpaid December 31, current year	21,489		5,722,784		5,744,273
28. Add expenses unpaid December 31, prior year	6,639	0	4,827,528	0	4,834,167
29. Amounts receivable relating to uninsured plans, prior year	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	409,720	0	12,148,333	2,972	12,561,025
DETAILS OF WRITE-INS					
2501. Management Agreement Charges.....			8,720,898		8,720,898
2502. Misc. Other Expenses.....			(26,550)		(26,550)
2503. LA Contract Administrative Service Management Fees.....			3,500,321		3,500,321
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	450	0	450
2599. Totals (Line 2501 through 2503 plus 2598) (Line 25 above)	0	0	12,195,119	0	12,195,119

(a) Includes management fees of \$12,221,219 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a).....25,927	27,065
1.1	Bonds exempt from U.S. tax	(a).....	.....
1.2	Other bonds (unaffiliated)	(a).....	.....
1.3	Bonds of affiliates	(a).....0	.....
2.1	Preferred stocks (unaffiliated)	(b).....0	.....
2.11	Preferred stocks of affiliates	(b).....0	.....
2.2	Common stocks (unaffiliated)	0	.....
2.21	Common stocks of affiliates	0	.....
3.	Mortgage loans	(c).....	.....
4.	Real estate	(d).....	.....
5.	Contract loans .....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e).....91,682	42,838
7.	Derivative instruments	(f).....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income	0	0
10.	Total gross investment income	117,609	69,904
11.	Investment expenses		(g).....2,972
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h).....
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		2,972
17.	Net investment income (Line 10 minus Line 16)		66,932
DETAILS OF WRITE-INS			
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		0

(a) Includes \$4,970 accrual of discount less \$8,234 amortization of premium and less \$3,089 paid for accrued interest on purchases.
(b) Includes \$ accrual of discount less \$ amortization of premium and less \$0 paid for accrued dividends on purchases.
(c) Includes \$0 accrual of discount less \$0 amortization of premium and less \$ paid for accrued interest on purchases.
(d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
(e) Includes \$224 accrual of discount less \$31,607 amortization of premium and less \$14 paid for accrued interest on purchases.
(f) Includes \$ accrual of discount less \$ amortization of premium.
(g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$ interest on surplus notes and \$ interest on capital notes.
(i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds			0		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)			0		
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	0	0	0	0	0
2.21	Common stocks of affiliates	10,401,480	0	10,401,480	(6,373,219)	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	0	0	0		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments			0	0	0
7.	Derivative instruments			0		
8.	Other invested assets	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	10,401,480	0	10,401,480	(6,373,219)	0
DETAILS OF WRITE-INS						
0901.	.....					
0902.	.....					
0903.	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Derivatives (Schedule DB).....	0	0	0
8. Other invested assets (Schedule BA)	0	0	0
9. Receivables for securities	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL).....	0	0	0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	0	0	0
13. Title plants (for Title insurers only).....	0	0	0
14. Investment income due and accrued	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection.....	0	0	0
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
15.3 Accrued retrospective premiums and contracts subject to redetermination	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	0	0	0
16.2 Funds held by or deposited with reinsured companies	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0
17. Amounts receivable relating to uninsured plans	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2 Net deferred tax asset.....	0	0	0
19. Guaranty funds receivable or on deposit	0	0	0
20. Electronic data processing equipment and software.....	0	0	0
21. Furniture and equipment, including health care delivery assets	0	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23. Receivables from parent, subsidiaries and affiliates	0	0	0
24. Health care and other amounts receivable.....	9,661,988	1,985,267	(7,676,721)
25. Aggregate write-ins for other-than-invested assets	452,344	0	(452,344)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	10,114,332	1,985,267	(8,129,065)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
28. Total (Lines 26 and 27)	10,114,332	1,985,267	(8,129,065)
DETAILS OF WRITE-INS			
1101.	0		0
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0
2501. Prepaid Other.....	452,344		(452,344)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	452,344	0	(452,344)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations.....	.0					
2. Provider Service Organizations.....	.0					
3. Preferred Provider Organizations.....	.0					
4. Point of Service.....	.0					
5. Indemnity Only.....	.0					
6. Aggregate write-ins for other lines of business.....	63,676	95,970	102,124	106,716	108,974	1,221,487
7. Total	63,676	95,970	102,124	106,716	108,974	1,221,487
DETAILS OF WRITE-INS						
0601.	.0					
0602. Medicare Part D Standalone.....	63,676	95,970	102,124	106,716	108,974	1,221,487
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	.0	.0	.0	.0	.0	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	63,676	95,970	102,124	106,716	108,974	1,221,487

NOTES TO FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

(A) - Accounting Practices

Merit Health Insurance Company (the “Company”) prepares its statutory-basis financial statements in conformity with accounting practices prescribed or permitted by the Illinois Department of Insurance (the “Department”), which represents a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The Department requires that insurance companies domiciled in Illinois prepare their statutory-basis financial statements in accordance with the Codified National Association of Insurance Commissioners’ (“NAIC”) Statements of Statutory Accounting Principles (“SSAP”), subject to any deviations prescribed or permitted by the Department. The Company is not aware of any differences between the NAIC and the Department with respect to accounting practices that would have an impact on the accompanying statutory-basis financial statements. In addition, the accompanying statutory-basis financial statements have been prepared in accordance with the Annual Statement instructions and the NAIC Accounting Practices and Procedures manual.

State of Domicile: Illinois		2017	2016
Net Income			
Merit Health Insurance Company State Basis test		\$ 9,088,820	\$ 8,759,332
State Prescribe Practices that increase/(decrease) NAIC SAP		\$ -	\$ -
State Permitted Practices that increase/(decrease) NAIC SAP		\$ -	\$ -
NAIC SAP		\$ 9,088,820	\$ 8,759,332
SURPLUS			
Merit Health Insurance Company State Basis		\$ 51,893,941	\$ 58,283,857
State Prescribe Practices that increase/(decrease) NAIC SAP		\$ -	\$ -
State Permitted Practices that increase/(decrease) NAIC SAP		\$ -	\$ -
NAIC SAP		\$ 51,893,941	\$ 58,283,857

(B) - Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates of the Company include, among other things, contract receivables realization and the establishment of claims unpaid reserves. Actual results could differ from those estimates.

(C) – Accounting Policies

Fair Value of Financial Instruments

The Company currently does not have any assets or liabilities that are required to be measured at fair value on a recurring basis. SSAP No. 100 “Fair Value Measurements”, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value. The carrying value of the Company’s financial instruments classified as current assets (other than short-term investments) and current liabilities approximate fair value due to their short maturities. As of December 31, 2016, the carrying value and fair value of the Company’s short-term investments totaled \$8,031,847 and \$8,025,900, respectively, the carrying value and fair value of the Company’s long-term investments totaled \$2,682,033 and \$2,677,353, respectively, and both the carrying value and fair value of the Company’s common stock investments totaled \$11,695,939. As of December 31, 2017, the carrying value and fair value of the Company’s short-term investments totaled \$109,906 and \$109,815, respectively, the carrying value and fair value of the Company’s long-term investments totaled \$2,850,931 and \$2,835,592, respectively.

Cash, Cash Equivalents and Short-term Investments

Cash consists of cash on hand and in financial institutions, along with certificates of deposit with maturity dates at the time of acquisition of one year or less. Cash equivalents are short-term, highly liquid interest-bearing investments with maturity dates of three months or less when acquired. Short-term investments have maturities of one year or less at the time of acquisition (excluding those investments classified as cash equivalents) and are recorded at amortized cost using the straight-line basis, except in cases where NAIC designation requires them to be carried at the lower of amortized cost or fair value. For the periods presented, the Company’s short-term investments consist of exempt money market mutual funds as classified on the mutual fund lists published by the NAIC and corporate debt securities.

Long-term Investments

Long-term investments have maturities in excess of one year from the date of acquisition and are recorded at amortized cost using the straight-line basis, except in cases where NAIC designation requires them to be carried at the lower of amortized cost or fair value. For the periods presented, the Company’s long-term investments consist of U.S. Treasury securities.

NOTES TO FINANCIAL STATEMENTS

Investment Securities

The Company periodically evaluates whether any declines in the fair value of investment securities are other-than-temporary. This evaluation consists of a review of several factors, including but not limited to: the length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near-term prospects for recovery of the market value of a security; and the intent and ability of the Company to hold the security until the market value recovers. Declines in value below cost for investments where it is considered probable that all contractual terms of the investment will be satisfied, the decline is due primarily to changes in interest rates (and not because of increased credit risk), and where the Company intends and has the ability to hold the investment for a period of time sufficient to allow a market recovery, are not assumed to be other-than-temporary. As of December 31, 2016 and December 31, 2017, the Company did not have any other-than-temporary impairments.

Contract Receivables

Contract receivables consist of amounts due from customers for capitated services. Collateral is generally not required. Contract receivables are admitted in the accompanying statutory-basis financial statements pursuant to the provisions of SSAP No. 84, "Certain Health Care Receivables and Receivables under Government Insured Plans" ("SSAP 84"). Evaluation of the collectability of amounts receivable is based upon factors surrounding the credit risk of specific customers, historical trends and other information. If it is probable the balance is uncollectible, any uncollectible receivable shall be written off and charged to income in the period the determination is made.

Amounts receivable relating to uninsured plans for claims and other costs paid by the administrator on behalf of the third party at risk and fees related to the services provided by the administrator to the plan are to be segregated from other receivables. In accordance with SSAP 84, receivables associated with uninsured plans are considered an admitted asset, including amounts over ninety days past due.

Revenue Recognition

Revenue associated with providing managed behavioral healthcare and substance abuse services on a risk basis is recognized over the applicable coverage period on a per member basis for covered members. The Company is paid a per member fee for all covered members, and this fee is recorded as revenue in the month in which members are entitled to service. The Company adjusts its revenue for retroactive membership terminations, additions and other changes, when such adjustments are identified, with the exception of retroactivity that can be reasonably estimated. The impact of retroactive rate amendments is generally reported in the accounting period that terms to the amendment are finalized, and that the amendment is executed. Any fees paid prior to the month of service are recorded as deferred revenue.

The Centers for Medicare & Medicaid Services ("CMS") premium, the member premium and the low-income premium subsidy represent payments for the Company's insurance risk coverage under Medicare Part D program and, therefore, are recorded as premium revenues. Premium revenues are recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits.

Low Income Cost Sharing ("LICS"), catastrophic reinsurance and coverage gap subsidies from CMS represent cost reimbursements under the Medicare Part D program. Amounts received for these subsidies are not reflected as premium revenues, but rather are accounted for as deposits, with the related asset or liability recorded in either Amounts receivable related to uninsured plans, net or Amounts held under uninsured plans, net in the balance sheets.

The Company generated \$116,308,798 of premium revenue for the period ended December 31, 2017. These premiums include a \$13,587,728 increase in amounts due from CMS under a risk sharing feature of the Medicare Part D plan design referred to as the "risk corridor". Risk corridor amounts are recorded as an adjustment to premiums. Based on settlement position, amounts due to or from CMS under the risk sharing feature are recorded in either Health Policy Reserves or Accrued Retrospective Premiums in the accompanying balance sheets.

Due to the risk corridor, the Company's business is accounted for as a retrospectively rates contract. The Company estimates amounts due to or from CMS under the risk corridor feature using a mathematical approach based on the Company's underwriting experience. It is at least reasonably possible that these estimates could differ from the amounts that are ultimately settled with CMS and that such a change in the estimates could be material to the financial statements. The amount of net premiums written during the period ended December 31, 2017 that were subject to the retrospective feature was \$102,721,070, which represents 100% of premiums written excluding the risk corridor adjustment.

In addition to the above statements, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds are stated at amortized cost
- (3) None.
- (4) None
- (5) None
- (6) None

NOTES TO FINANCIAL STATEMENTS

(7) None.

(8) None

(9) None

(10) None

(11) Claims costs are recognized in the period in which covered members receive behavioral healthcare services. In addition to actual benefits paid, claims costs include the impact of accruals for estimates of claims unpaid. Claims unpaid represents the liability for healthcare claims reported but not yet paid and claims incurred but not yet reported (“IBNR”) related to the Company’s behavioral healthcare business. Such liabilities are determined by employing actuarial methods that are commonly used by health insurance actuaries and meet actuarial standards of practice.

The IBNR portion of claims unpaid is estimated based on past claims payment experience for member groups, enrollment data, utilization statistics, authorized healthcare services and other factors. This data is incorporated into contract-specific actuarial reserve models and is further analyzed to create “completion factors” that represent the average percentage of total incurred claims that have been paid through a given date after being incurred. Factors that affect estimated completion factors include benefit changes, enrollment changes, shifts in product mix, seasonality influences, provider reimbursement changes, changes in claims inventory levels, the speed of claims processing and changes in paid claim levels. Completion factors are applied to claims paid through the financial statement date to estimate the ultimate claim expense incurred for the current period. Actuarial estimates of claims unpaid are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims. For the most recent incurred months (generally the most recent two months), the percentage of claims paid for claims incurred in those months is generally low. This makes the completion factor methodology less reliable for such months. Therefore, incurred claims for any month with a completion factor that is less than 70 percent are generally not projected from historical completion and payment patterns; rather they are projected by estimating claims expense based on recent monthly estimated cost incurred per member per month times membership, taking into account seasonality influences, benefit changes and healthcare trend levels, collectively considered to be “trend factors”.

Claims unpaid balances are continually monitored and reviewed. If it is determined that the Company’s assumptions in estimating such liabilities are different than actual results, the Company’s results of operations and financial position could be impacted in future periods. Adjustments of prior period estimates may result in additional claims costs or a reduction of claims costs in the period an adjustment is made. Further, due to the considerable variability of healthcare costs, adjustments to claims unpaid occur each period and are sometimes significant as compared to the net income recorded in that period. Prior period development is recognized immediately upon the actuary’s judgment that a portion of the prior period liability is no longer needed or that additional liability should have been accrued.

Actuarial standards of practice require that claims unpaid be adequate under moderately adverse circumstances. Adverse circumstances are situations in which actual claims experience could be higher than the otherwise estimated value of such claims. In many situations, the claims paid amount experienced will be less than the estimate that satisfies the actuarial standards of practice.

(12) None

(13) Amounts recorded in the Company’s financial statements for pharmaceutical rebates are determined based on the amounts Magellan Rx expects to collect from the various pharmaceutical manufacturers.

2 Accounting Changes and Corrections of Errors

Subsequent to filing the 2016 Annual Statement and prior to issuing the 2016 Annual Audited Statements, additional information was obtained relating to the State of Louisiana contract. This information, and also some less material corrections, were incorporated into the 2016 Annual Audited Statements. The tables below provide details on the adjustments made to the 2016 Annual Audited Statements and these changes are presented as aggregate write-ins for gains or (losses) in surplus in the 2017 financial statements.

NOTES TO FINANCIAL STATEMENTS

Statements of Admitted Assets, Liabilities, Capital and Surplus – Statutory-Basis					
	December 31 2016				
	Annual	Audited			
	Statement Filing	Financials Filing	Change		
Admitted assets					
Current assets:					
Cash, cash equivalents and short-term investments	\$ 8,150,518	\$ 8,150,518	\$ –		
Investment income due and accrued	57,915	57,915	–		
Contract receivables	735,843	735,843	–		
Amounts receivable relating to uninsured plans	71,831,502	71,170,618	(660,884)	A	
Accrued retrospective premiums	1,502,346	1,502,346	–		
Allocated federal income taxes receivable	1,309,188	1,838,677	529,489	B	
Healthcare and other amounts receivable	45,728,320	45,728,320	–		
Health insurer fee receivables	3,261,526	3,261,526	–		
Total current assets	132,577,158	132,445,763	(131,395)		
Long-term investments	2,682,033	2,682,033	–		
Investment in subsidiary	11,695,939	11,695,939	–		
Total admitted assets	\$ 146,955,130	\$ 146,823,735	\$ (131,395)		
Liabilities, capital and surplus					
Current liabilities:					
Claims unpaid	\$ 843,480	\$ 843,480	\$ –		
Unpaid claims adjustment expenses	6,639	6,639	–		
General expenses due or accrued	4,827,528	5,730,348	902,820	C	
Amounts payable to parent, subsidiaries and affiliates	82,993,626	82,935,863	(57,763)	D	
Total liabilities	88,671,273	89,516,330	845,057		
Capital and surplus:					
Common stock, par value \$1 per share					
Authorized - 10,000,000 shares at December 31, 2015 and 2016, respectively	1,500,000	1,500,000	–		
Issued and outstanding - 1,500,000 and 1,500,000 at December 31, 2015 and 2016, respectively					
Paid-in capital	21,020,000	21,020,000	–		
Unassigned funds	35,763,857	34,787,405	(976,452)	E	
Total capital and surplus	58,283,857	57,307,405	(976,452)		
Total liabilities, capital and surplus	\$ 146,955,130	\$ 146,823,735	\$ (131,395)		
A - Retroactive revenue impact due to customer settlement					
B - Tax impact of adjustments to net income before tax					
C - Retroactive revenue impact due to customer settlement					
D - Impact to administrative fee for change in revenue					
E - See changes in Statement of Operations & Changes in Capital and Surplus					

NOTES TO FINANCIAL STATEMENTS

Statements of Operations and Changes in				
Capital and Surplus – Statutory-Basis				
	Year Ended December 31, 2016			
	Annual	Audited		
	Statement	Financials	Change	
Revenues	\$ 59,828,931	\$ 58,281,787	\$ (1,547,144)	F
Claims costs and expenses:				
Medical Claims costs	(3,459,724)	(3,459,724)	–	
Pharmacy Claims costs	50,861,994	50,861,994	–	
General administrative expenses	4,933,273	4,892,070	(41,203)	G
Total claims costs and expenses	52,335,543	52,294,340	(41,203)	
Underwriting gain	7,493,388	5,987,447	(1,505,941)	
Net investment gain	4,675,823	4,676,232	409	H
Gain before allocated federal income taxes	12,169,211	10,663,679	(1,505,532)	
Allocated federal income taxes expense	3,409,879	2,880,390	(529,489)	I
Net income	\$ 8,759,332	\$ 7,783,289	\$ (976,043)	
Capital and surplus at beginning of year	\$ 47,918,110	\$ 47,918,110	\$ –	
Net income	8,759,332	7,783,289	(976,043)	
Change in unrealized capital gain	2,590,474	2,590,474	–	
Change in nonadmitted assets	(984,468)	(984,468)	–	
Capital and surplus at end of year	\$ 58,283,448	\$ 57,307,405	\$ (976,043)	
F - State of Louisiana prior years capitation revenue adjustment				
G - Reduction in administrative fees charged related to State of Louisiana contract (fees incurred are a percentage of capitation revenue) along with retroactive capitated revenue adjustment for non-risk members.				
H - Correction of realized capital loss - minor				
I - Tax impact of adjustments to net income before tax				

3 Business Combinations and Goodwill

On August 2, 1996, the Company acquired Magellan Life, a Delaware life and accident and health insurance company that had insurance licenses in 30 states. The Company has accounted for its investment in Magellan Life under the equity method pursuant to SSAP No. 97, “Investments in Subsidiary, Controlled and Affiliated Entities, A Replacement of SSAP No. 88”. For statutory reporting purposes, the admitted value of the investment in subsidiary reflects the statutory equity in net assets of Magellan Life.

The increase in carrying value of the Company’s investment in Magellan Life of \$2,590,474 for the year ended December 31, 2016 is reflected as an increase in net unrealized capital gains within the capital and surplus rollforward in the accompanying statement of revenue and expenses and is attributable to Magellan Life’s net income for the year ended December 31, 2016 of \$7,090,474 less a dividend paid to the Company in the amount of \$4,500,000. On December 1, 2017 the Company sold all shares in Magellan Life to Magellan Healthcare for \$15,724,200. The total carrying value of Magellan Life at the time of sale was \$14,788,095. The Company recognized previously unrealized capital gains of \$9,465,375 as investment income and \$936,105 as a gain on sale of the investment which are reflected in the accompanying statement of revenue and expenses.

4 Discontinued Operations

None

5 Investments

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) None
- (G) None
- (H) Restricted Assets

(1) Restricted Assets (Including Pledged):

NOTES TO FINANCIAL STATEMENTS

Restricted Asset Category	1 Total Gross Restricted from Current Year	2 Total Gross Restricted From Prior Year	3 Increase/ (Decrease) (1 minus 2)	4 Total Current Year Nonadmitted Restricted	5 Total Current Year Admitted Restricted	6 Percentage Gross Restricted to Total Assets	7 Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states	3,006,052	2,682,033	324,019	-	3,006,052	1.6%	1.7%
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (incuding assets backing funding agreements)							
m. Pledged as collateral not captured in other categories							
n. Other restricted assets							
o. Total Restricted Assets	3,006,052	2,682,033	\$ 324,019	\$ -	\$ 3,006,052	1.6%	1.7%

- (2). None
- (3). None
- (I) (1). None
- (2). None
- (3). None
- (J) None
- (K) None

6 Joint Ventures, Partnerships and Limited Liability Companies

The Company has no investments in joint ventures, partnerships or limited liability companies.

The Company entered into a joint venture agreement with its ultimate parent company, Magellan Health, Inc. (“Magellan”), effective March 1, 2012. The joint venture agreement does not signify a joint venture investment, with no provision of equity interest included, but rather stipulates the responsibilities of the Company and Magellan with respect to a contract with the State of Louisiana Department of Health and Hospitals Office of Behavioral Health (the “State Contract”) that was awarded Magellan. Per the terms of the joint venture agreement, all revenues and claims costs associated with the State Contract are reported by the Company.

7 Investment Income

The Company admitted all investment income due and accrued as of December 31, 2016 and December 31, 2017, which totaled \$57,915 and \$10,210, respectively.

8 Derivative Instruments

None

9 Income Taxes

For federal income tax reporting purposes, the Company’s operations are included in Magellan’s consolidated federal income tax returns. The Company has a new tax allocation agreement with Magellan that was effective January 1, 2017, and an amendment to that agreement that was effective April 1, 2017. The agreement calls for an allocation based on the Company’s book pre-tax income adjusted for permanent items and considering the ultimate parent’s federal statutory rate and applicable state statutory rate. Also, the agreement is to be revenue neutral to Magellan and other Magellan subsidiaries in that the Company’s tax liability or benefit is not any different then if it filed separate federal and state income tax returns. Through the tax allocation agreement (and tax allocation in place prior to January 1, 2017), the Company was allocated federal income tax charges of \$3,409,879 and (\$705,387) for its share of Magellan’s federal income tax provisions for the year ended December 31, 2016 and period ended December 31, 2017, respectively. The Company pays premium taxes in lieu of state income taxes.

In accordance with the tax allocation agreement, allocated income taxes payable or recoverable are settled on a quarterly basis. In addition, any filings done on behalf of the Company that result in additional tax assessments or refunds from federal or state tax authorities are required to be settled within 30 days after execution of the document. In February 2016, the Company settled its allocated federal income tax payable related to 2015, with \$6,851,729 paid to Magellan, with the \$25,244 remaining balance paid in May 2016. Also, the Company settled its 2016 allocated federal income tax payable balances with \$339,233 paid to Magellan in May 2016 related to the first quarter of 2016, \$909,865 paid to Magellan in August 2016 related to the second quarter of 2016, \$3,469,969 paid to Magellan in November 2016 related to the third quarter of 2016 and \$1,309,188 paid to Magellan in March 2017 related to the fourth quarter of 2016. The first quarter 2017 tax benefit of \$517,053 was received by the Company in May, 2017. The second quarter 2017 tax benefit of

NOTES TO FINANCIAL STATEMENTS

\$1,175,215 was received by the Company in July, 2017. The third quarter tax liability of \$188,831 was paid to Magellan on October 25, 2017.

(A) None

(B) None

(C) Current income taxes incurred consist of the following major components:

	(1) 12/31/2017	(2) 12/31/2016	(3) (Col 1-2) Change
(1) Current Income Tax			
(a) Federal	\$ (705,387)	\$ 3,409,879	\$ (4,115,266)
(b) Foreign	\$ -	\$ -	\$ -
(c) Subtotal	\$ (705,387)	\$ 3,409,879	\$ (4,115,266)
(d) Federal income tax on net capital gains	\$ -	\$ -	\$ -
(e) Utilization of capital loss carry-forwards	\$ -	\$ -	\$ -
(f) Other	\$ -	\$ -	\$ -
(g) Federal and foreign income taxes incurred	\$ (705,387)	\$ 3,409,879	\$ (4,115,266)

(2) None

(3) None

(4) None

(D) None

(E) None

(F) For federal income tax reporting purposes, the Company’s operations are included in Magellan’s consolidated federal income tax returns. The Company has a tax allocation agreement with Magellan. The current agreement calls for an allocation based on the Company’s book pre-tax income adjusted for permanent items and considering the ultimate parent’s federal statutory rate and applicable state statutory rate. Also, the agreement is to be revenue neutral to Magellan and other Magellan subsidiaries in that the Company’s tax liability or benefit is not any different then if it filed separate federal and state income tax returns.

(G) None

10 Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

(A, B, & C) The Company is a direct subsidiary of Magellan Healthcare. Magellan Healthcare is a wholly owned subsidiary of Magellan. Magellan is engaged in the healthcare management business, and is focused on today’s most complex and costly healthcare services.

Effective March 1, 2012, the Company entered into a joint venture agreement with Magellan. The agreement was developed to assist in the administration of the State Contract that commenced on March 1, 2012, and outlines the Company’s and Magellan’s responsibilities under the State Contract. In addition, the joint venture agreement provides detail with respect to the administrative services to be provided by Magellan and the associated compensation that shall be paid to Magellan by the Company. The compensation charged by Magellan for these services includes an administrative services component that is based on stated percentages of premiums earned under the State Contract and a staffing and direct office costs component that represents direct expenses incurred and paid by Magellan in support of the State Contract. For the year ended December 31, 2016, the amount charged to the Company in connection with the joint venture agreement totaled \$6,923,246, with charges for administrative services and staffing and direct office costs totaling \$3,416,423 and \$3,506,823, respectively. For the period ended December 31, 2017, the amount charged to the Company in connection with the joint venture agreement totaled \$7,315,005, with charges for administrative services and staffing and direct office costs totaling \$3,500,321 and \$3,814,684, respectively.

Effective January 1, 2016, the Company entered into an administrative agreement with Magellan Rx to provide pharmacy benefit management for the Medicare Part D members. Magellan Rx will provide network management, network access, help desk services, auditing, mail order pharmacy services, specialty pharmacy, formulary and rebate administration and other core administrative and value added administrative services. The administrative fee will be assessed on a per

NOTES TO FINANCIAL STATEMENTS

member, per month (pmpm) and totaled \$4,370,493 and \$8,623,698 for the year ended December 31, 2016 and period ended December 31, 2017, respectively.

Except for amounts due to other PDP’s, all claims paid and incurred for pharmacy claims are based on amounts billed by Magellan Rx filled by pharmacies in Magellan Rx’s pharmacy network. Additionally, all pharmaceutical rebates are received or receivable from Magellan Rx services, which contracts with pharmaceutical manufacturers for such rebates. Payment terms require settlement of rebates within one hundred and eighty days following the end of each contract quarter following receipt of such rebates by Magellan Rx.

(D) Amounts receivable from or payable to parent, subsidiaries and affiliates are non-interest bearing and are settled within ninety days of quarter-end. As of December 31, 2016, the Company reported \$82,993,626 as the amount due to parent, subsidiaries and affiliates, which is primarily comprised of amounts due for uninsured pharmacy claims processed and management fees from the Parent. As of December 31, 2017, the Company reported \$75,580,012 as the amount due to parent, subsidiaries and affiliates, which is primarily comprised of amounts due for uninsured pharmacy claims processed and management fees from the Parent. Under an administrative services agreement between Magellan Healthcare and the Company, Magellan Healthcare performs certain collection and payment activities on behalf of the Company. In addition, Magellan Healthcare performs certain administrative and operational functions, which includes legal, underwriting and accounting services. The amount charged to the Company in connection with these services for the year ended December 31, 2016 and period ended December 31, 2017 totaled \$98,200 and \$97,200, respectively

(E) None

(F) As mentioned above, under an administrative services agreement between Magellan Healthcare and the Company, Magellan Healthcare performs certain collection and payment activities on behalf of the Company. In addition, Magellan Healthcare performs certain administrative and operational functions, which includes legal, underwriting and accounting services. Also, the Company entered into a joint venture agreement with Magellan. The agreement was developed to assist in the administration of the State Contract that commenced on March 1, 2012, and outlines the Company’s and Magellan’s responsibilities under the State Contract. In addition, the joint venture agreement provides detail with respect to the administrative services to be provided by Magellan and the associated compensation that shall be paid to Magellan by the Company. The compensation charged by Magellan for these services includes an administrative services component that is based on stated percentages of premiums earned under the State Contract and a staffing and direct office costs component that represents direct expenses incurred and paid by Magellan in support of the State Contract.

(G) All outstanding shares of the Company are held by Magellan Healthcare as noted above.

(H) None

(I) As previously noted, the Company did own a 100 percent interest in Magellan Life. The carrying value of Magellan Life currently does not exceed 10% of the Company’s admitted assets. The Company carries the investment at Magellan Life’s statutory net equity. The statement values of Magellan Life’s net admitted assets and liabilities for the year ended December 31, 2016 were \$16,214,429 and \$4,720,679, respectively, with Magellan Life reporting net income of \$7,090,474 for the year ended December 31, 2016. The Company received a \$4,500,000 dividend from Magellan Life on August 19, 2016. On December 1, 2017 the Company sold all shares in Magellan Life to Magellan Healthcare for \$15,724,200. The total carrying value of Magellan Life at the time of sale was \$14,788,095. The Company recognized previously unrealized capital gains of \$9,465,375 as investment income and \$936,105 as a gain on sale of the investment which are reflected in the accompanying statement of revenue and expenses.

(J) None

(K) None

(L) None

(M) None

(N) None

11 Debt

None

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

None

13 Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

- (1) The Company has 10,000,000 shares of common stock authorized, with 2,000,000 shares issued and outstanding at a \$1.00 par value.
- (2) The Company has no preferred stock issued or outstanding.

NOTES TO FINANCIAL STATEMENTS

- (3) Dividends to stockholders are limited by the Illinois statute, and are generally payable from accumulated surplus funds that are derived from realized net operating profits on its business and realized net capital gains on its investments. Dividend requests over specified thresholds require approval of the Department.
- (4) No cash dividends were paid during 2016 or 2017. However, in June of 2017, a \$500,000 stock dividend was approved resulting in 500,000 additional shares issued at \$1/share and \$500,000 transferred from the surplus account to the capital account of the Company.
- (5) There are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders, however it must not exceed 10% of the prior year capital & surplus.
- (6) There are no restrictions placed on the Company’s surplus, including for whom the surplus is being held.
- (7) The Company does not have any advances to surplus.
- (8) The Company does not hold any stock for special purposes.
- (9) The Company does not have a special surplus fund.
- (10) The Company’s unassigned funds (surplus) as of September 30, 2017 have been increased by cumulative unrealized capital gains of \$7,443,943 related to the Company’s investment in Magellan Life. As of December 31, 2017 the Company no longer own’s Magellan Life so there is no unrealized capital gains included in unassigned funds (surplus).
- (11) The Company has not issued surplus debentures or similar obligations.
- (12) The Company has not had any restatements due to quasi-reorganizations
- (13) Not applicable

14 Liabilities, Contingencies and Assessments

- (A) None
- (B) During 2017, the Company established an accrual for guaranty fund assessments related to the Penn Treaty Network America Insurance Company and American Network Insurance Company liquidations. It is expected that these insolvencies will result in additional retrospective-premium-based guaranty fund assessments against the company in the amount of \$200,000, and this amount has been charged to operations in the current period and the liability recognized. This liability is expected to be paid out over the next 3-5 years. Since the insolvency and related assessments relate to entities that wrote long-term care contracts, the estimated liability has been discounted. In calculation of the liability, a discount rate of 4.25% was used. If this liability was not discounted, the total liability is estimated to be \$314,675. There are two jurisdictions for which the accrual was made as it was determined that the potential liability for all other jurisdictions the Company is licensed in is either immaterial or none. The range of years used to discount the liabilities is 1-70, with the weighted average number of years being approximately 12. Since the Company is anticipating to write only Medicare Part D insurance in the future, no premium tax offsets (assets) are expected to be realized since Part D premiums are exempt from premium tax.
- (C) None
- (D) None
- (E) None
- (F) Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company. The Company has no assets that it considers to be impaired.

The managed healthcare industry is subject to extensive and evolving federal and state regulations. Such laws and regulations cover, but are not limited to, matters such as licensure, accreditation, government healthcare program participation requirements, information privacy and security, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government investigations and allegations have become more frequent concerning possible violations of fraud and abuse and false claims statutes and regulations by healthcare organizations. Violators may be excluded from participating in government healthcare programs, subject to fines or penalties or required to repay amounts received from the government for previously billed services. A violation of such laws and regulations may have a material adverse effect on the Company.

The Company routinely assesses the collectability of its receivables and has recorded an allowance on the uncollected premiums and agents balances of \$1,992,981 and \$609,689 on healthcare and other receivables. As of December 31, 2016 the Company non-admitted \$1,985,267 in rebate receivables that are reported as healthcare receivables due to adjustments to prior periods that were not confirmed within 60 days of the estimate. As of December 31, 2017 the Company non-admitted \$9,661,988 in receivables due to adjustments to prior periods that were not confirmed within 60 days of the estimate and amounts outstanding that were not collected within 180 days of billing.

15 Leases

None

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

The Company does not have any financial instruments with off-balance sheet risk. Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash, investments and receivables. The Company maintains its cash and investments with what it believes to be high-quality financial institutions, and invests in exempt money market funds, U.S. Treasury securities, obligations of U.S. government-sponsored agencies and high-quality commercial paper and corporate debt securities that are believed to have minimal credit risk. The Company’s receivables are primarily comprised of contract receivables, amounts receivable relating to uninsured plans and health insurer fee receivables, all of which are associated with the State Contract.

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

None

NOTES TO FINANCIAL STATEMENTS

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

(A) ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans were as follows during 2017:

	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
(a) Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 2,241,065	\$ -	\$ 2,241,065
(b) Total net other income or expenses (including interest paid to or received from plans)	\$ -	\$ -	\$ -
(c) Net gain or (loss) from operations	\$ 2,241,065	\$ -	\$ 2,241,065
(d) Total Claim payment volume	\$ 18,166,965	\$ -	\$ 18,166,965

(B) None

(C) Medicare or other Similarly Structured Cost Based Reimbursement Contract:

- (1) Revenue and prescription drug amounts for the year ended December 31, 2016, and period ended December 31, 2017 exclude \$185,260,424 and \$326,785,338 in subsidies from Centers for Medicare and Medicaid Services (“CMS”) for catastrophic reinsurance subsidies, low income cost sharing subsidies (“LICS”) and the coverage gap discount program (“CGDP”) pursuant to the Company’s contracts with CMS.
- (2) As of December 31, 2016, amounts receivable relating to uninsured plans includes \$69,498,112 due from CMS or drug manufacturers for LICS, CGDP and drug costs covered by the catastrophic reinsurance feature. As of December 31, 2017 amounts receivable relating to uninsured plans related to plan years 2016 and 2017 includes \$34,874,754 due from CMS or drug manufacturers for LICS, CGDP and drug costs covered by the catastrophic reinsurance feature
- Amounts due from CMS for a plan year for LICS and drugs covered by the catastrophic reinsurance feature are typically settled in the fourth quarter of the following year. Amounts due from CMS for a plan year for CGDP are typically settled sixteen months after the plan year is complete.
- (3) As of December 31, 2016 and December 31, 2017, there were no allowances or reserves for adjustment of recorded revenues.
- (4) The Company has made no adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period.

19 Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

None

20 Fair Value Measurements

The Company currently does not have any assets or liabilities that are required to be measured and reported at fair value on a recurring basis.

A.

(1) Fair Value Measurements at Reporting Date

Description for each class	Level 1	Level 2	Level 3	Total
Investments as of December 31, 2017:				
U.S. Government and agency securities	\$ 2,945,407	\$ —	\$ —	\$ 2,945,407
Obligations of government-sponsored enterprises	—	3,733,178	—	3,733,178

NOTES TO FINANCIAL STATEMENTS

Total invested assets	\$	2,945,407	\$	3,733,178	\$	–	\$	6,678,585
-----------------------	----	-----------	----	-----------	----	---	----	-----------

(2) None - Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

(3) None – No transfers between levels have been recognized.

(4) For Level 2 obligations of government-sponsored enterprises, valuation is taken from monthly investment brokerage statement

(5) None

B. None

C. Aggregate fair value of all financial instruments and level within the fair value hierarchy in which the fair value measurements fall (excluding Common Stock – Investment in Subsidiary accounted for under the equity method):

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Not Practicable (Carrying Value)
Bonds	6,678,585	6,678,585	2,945,407	3,733,178	-	-

D. Not Practicable to Estimate Fair Value – None

21 Other Items

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) None
- (G) None
- (H) None

22 Events Subsequent

Type I – Recognized Subsequent Events:
On January 1, 2018, the Company will be subject to an annual fee under section 9010 of the Federal Affordable Care Act (ACA). This annual will be 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 becomes payable once the entity provides health insurance for an U.S. health risk for each calendar year beginning on 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 estimate their portion of the annual health insurance industry fee to be payable on September 30, 2018 to be \$2,326,176. This amount is reflected in the special surplus. This assessment is expected to impact risk based capital (RBC) by 1%. Reporting ACA assessment as of December 31, 2017 would not have triggered an RBC action level.

Type II – Nonrecognized Subsequent Events:
None

NOTES TO FINANCIAL STATEMENTS

		Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject of Section 9010 of the federal Affordable Care Act (YES/NO)?		YES	
B. ACA fee assessment payable for the upcoming year		\$ 2,326,176	\$ -
C. ACA fee assessment paid		\$ -	\$ 2,069,450
D. Premium written subject to ACA 9010 assessment		\$ 116,308,799	\$ 59,828,931
E. Total Adjusted Capital before surplus adjustment (Five-Year Historical Line 14)		\$ 51,893,941	
F. Total Adjusted Capital after surplus adjustment (Five-Year Historical Line 14 minus 22B above)		\$ 49,839,520	
G. Authorized Control Level (Five-Year Historical Line 15)		\$ 2,761,138	
H. Would reporting the ACA assessment as of December 31, current year, have triggered an RBC action level (YES/NO)?		NO	
A. ACA fee assessment payable		\$ -	
B. Assessment expected to impact RBC %		1%	

23 Reinsurance

- (A) The Company has no ceded reinsurance.
- (B) The Company did not write off any uncollectible reinsurance balances during the year ended December 31, 2016 and December 31, 2017.
- (C) The Company has no ceded reinsurance.
- (D) None

24 Retrospectively Rated Contracts & Contracts Subject to Redetermination

- (A) The Company’s Medicare Part D contract with CMS contains a risk corridor feature. Due to the risk corridor feature, the Company’s business is accounted for as a retrospectively rated contract. The Company estimates retrospective premium adjustments using a mathematical approach based on the Company’s underwriting experience. As of December 31, 2016, accrued retrospective premium adjustments were reported as aggregate health policy reserves in the amount of \$1,502,346 and as accrued retrospective premiums of \$1,502,346. As of December 31, 2017, accrued retrospective premium adjustments were reported as aggregate health policy reserves in the amount of \$13,760,838 and as accrued retrospective premiums of \$13,587,728.
- (B) The Company records the risk corridor adjustment as an adjustment to earned premiums.
- (C) The amount of the retrospective premium risk corridor for the year ended December 31, 2016 represented 3.1% of total premiums written. The amount of the retrospective premium risk corridor for the period ended December 31, 2017 represented 13.2% of total premiums written.
- (D) None
- (E) The Company only provides coverage under a Medicare Part D contract and does not provide coverage subject to the ACA risk-sharing provisions.

25 Changes in Incurred Claims and Claim Adjustment Expenses

Changes in reserves for incurred claims and claim adjustment expenses attributable to insured events of prior years are as follows:

Claims unpaid as of January 1, 2017	\$ 843,480
Current year claims paid related to prior years	(428,732)
Current year claims reversed related to prior years	<u>(1,272,212)</u>
Claims unpaid as of December 31, 2017 related to prior years	<u>\$ -</u>

26 Intercompany Pooling Arrangements

- (A) None
- (B) None
- (C) None
- (D) None
- (E) None
- (F) None
- (G) None

27 Structured Settlements

None

28 Health Care Receivables

- (A) The Company has contracted with Magellan Rx for pharmaceutical rebates. Amounts recorded in the Company’s financial statements are determined based on the amounts Magellan Rx has collected or expects to collect as invoices or otherwise confirmed by Magellan Rx. The Company reports pharmaceutical rebates due to/from Magellan Rx as healthcare receivables. For the year ended December 31, 2016, the Company recorded \$45,776,937 as healthcare

NOTES TO FINANCIAL STATEMENTS

receivables, with \$1,985,267 non-admitted. For the period ended December 31, 2017, the Company recorded \$71,168,194 as healthcare receivables with \$9,661,988 non-admitted.

(B)

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received within 90 Days of Billing	Actual Rebates Received 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days of Billing
12/31/2017	37,951,662	39,343,264	-		
9/30/2017	37,522,820	35,765,977	-	-	
6/30/2017	30,293,341	33,266,422	-	31,615,827	-
3/31/2017	31,736,765	29,204,351	-	26,376,932	-
12/31/2016	25,977,562	24,244,320	-	22,637,996	15,665
9/30/2016	20,036,621	20,400,761	-	20,315,761	(545)
6/30/2016	16,426,573	17,995,861	-	18,051,574	219,815
3/31/2016	12,526,845	12,542,115	-	12,120,256	(30,082)

For the year ended December 31, 2016, the Company recorded \$1,936,650 as healthcare and other receivables which included amounts due from the State of Louisiana related reimbursement of premium taxes paid to Louisiana for calendar year 2016. This receivable was settled out during the period ended June 30, 2017.

(C) The Company has no risk sharing receivables.

29 Participating Policies

None

30 Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated claims and other acquisition costs, and maintenance costs that have not previously been expensed in excess of the recorded unearned premium reserve and future installment premiums, if any, on existing contracts. As of December 31, 2016 and December 31, 2017 the Company held no premium deficiency reserves.

31 Anticipated Salvage and Subrogation

None

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☒ No ☐
- If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☒ No ☐ N/A ☐
- 1.3

State Regulating?

Illinois.....
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☐ No ☒
- 2.2

If yes, date of change:

.....
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

.....12/31/2015
- 3.2

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

.....12/31/2015
- 3.3

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

.....06/06/2017
- 3.4

By what department or departments? Illinois Department of Insurance.....
- 3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes ☐ No ☐ N/A ☒
- 3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐
- 4.1

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

4.11 sales of new business? Yes ☐ No ☒

4.12 renewals? Yes ☐ No ☒
- 4.2

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

4.21 sales of new business? Yes ☐ No ☒

4.22 renewals? Yes ☐ No ☒
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒
- 5.2

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

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

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes ☐ No ☒
- 7.2

If yes,
- 7.21

State the percentage of foreign control

.....0.0
- 7.22

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

1 Nationality	2 Type of Entity
.....	
.....	
.....	
.....	
.....	

GENERAL INTERROGATORIES

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

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

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

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young LLP, 621 East Pratt Street, Baltimore, MD 21202.....

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

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

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [] No [X]

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

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

10.6 If the response to 10.5 is no or n/a, please explain
Merit Health does not have an Audit Committee because Merit Health is an insurer that is an indirect wholly owned subsidiary of a SOX Complaint Entity.....

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

12.11 Name of real estate holding company

12.12 Number of parcels involved0

12.13 Total book/adjusted carrying value \$.....

12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No []

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No []

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No []

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c. Compliance with applicable governmental laws, rules and regulations;

d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [] No [X]

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

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

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

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List?
- Yes [] No [X]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?
- Yes [X] No []
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?
- Yes [X] No []
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?
- Yes [X] No []

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?
- Yes [] No [X]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers \$.....
- 20.12 To stockholders not officers \$.....
- 20.13 Trustees, supreme or grand (Fraternal only) \$.....
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers \$.....
- 20.22 To stockholders not officers \$.....
- 20.23 Trustees, supreme or grand (Fraternal only) \$.....
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?
- Yes [] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others \$.....
- 21.22 Borrowed from others \$.....
- 21.23 Leased from others \$.....
- 21.24 Other \$.....
- 22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?
- Yes [] No [X]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$.....
- 22.22 Amount paid as expenses \$.....
- 22.23 Other amounts paid \$.....
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?
- Yes [] No [X]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:
- \$.....

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)
- Yes [X] No []
- 24.02 If no, give full and complete information, relating thereto
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)
- 24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?
- Yes [] No [] NA [X]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.
- \$.....
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs.
- \$.....
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?
- Yes [] No [] NA [X]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?
- Yes [] No [] NA [X]
- 24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?
- Yes [] No [] NA [X]
- 24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....0
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 \$.....0
- 24.103 Total payable for securities lending reported on the liability page \$.....0

GENERAL INTERROGATORIES

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes [X] No []

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

25.21 Subject to repurchase agreements

25.22 Subject to reverse repurchase agreements

25.23 Subject to dollar repurchase agreements

25.24 Subject to reverse dollar repurchase agreements

25.25 Placed under option agreements

25.26 Letter stock or securities restricted as to sale – excluding FHLB Capital Stock

25.27 FHLB Capital Stock

25.28 On deposit with states

25.29 On deposit with other regulatory bodies

25.30 Pledged as collateral – excluding collateral pledged to an FHLB

25.31 Pledged as collateral to FHLB – including assets backing funding agreements

25.32 Other

\$

\$

\$

\$

\$

\$

\$

\$3,221,686

\$

\$

\$

\$

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

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

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

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

27.2 If yes, state the amount thereof at December 31 of the current year. \$

28. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity’s offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [X] No []

28.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian’s Address
U.S. Bank - Trust Services.....	205 S. 5th Street, P.O. Box 19264, Springfield, IL 62794-9264.....

28.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [] No [X]

28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

GENERAL INTERROGATORIES

28.05 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts"; "...handle securities"]

1 Name of Firm or Individual	2 Affiliation

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes [] No []

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [] No []

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed

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

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 TOTAL		0

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	2,960,836	2,945,407	(15,429)
30.2 Preferred Stocks.....	0		0
30.3 Totals	2,960,836	2,945,407	(15,429)

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

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

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

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

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

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

33. By self-designating 5*GI securities, the reporting entity is certifying the following elements of each self-designated 5*GI security:
- a.Documentation necessary to permit a full credit analysis of the security does not exist.
 - b.Issuer or obligor is current on all contracted interest and principal payments.
 - c.The insurer has an actual expectation of ultimate payment of all contracted interest and principal.

Has the reporting entity self-designated 5*GI securities? Yes [] No []

OTHER

- 34.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$1,903
- 34.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Stoneriver.....	\$.....1,903

- 35.1 Amount of payments for legal expenses, if any? \$
- 35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$.....
.....	\$.....
.....	\$.....

- 36.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$
- 36.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	\$.....
.....	\$.....
.....	\$.....

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

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

\$0

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

\$

1.31 Reason for excluding

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

\$

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$0

1.62 Total incurred claims

\$0

1.63 Number of covered lives

.....0

All years prior to most current three years:

1.64 Total premium earned

\$0

1.65 Total incurred claims

\$0

1.66 Number of covered lives

.....0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$0

1.72 Total incurred claims

\$0

1.73 Number of covered lives

.....0

All years prior to most current three years:

1.74 Total premium earned

\$0

1.75 Total incurred claims

\$0

1.76 Number of covered lives

.....0

2. Health Test:

		1		2
		Current Year		Prior Year
2.1	Premium Numerator	\$102,721,070	\$	55,455,444
2.2	Premium Denominator	\$102,721,070	\$	55,455,444
2.3	Premium Ratio (2.1/2.2)	1.000		1.000
2.4	Reserve Numerator	\$0	\$	843,480
2.5	Reserve Denominator	\$0	\$	843,480
2.6	Reserve Ratio (2.4/2.5)	0.000		1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No []

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2 If no, explain:

Business does not require stop loss insurance

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$

5.32 Medical Only

\$

5.33 Medicare Supplement

\$

5.34 Dental and Vision

\$

5.35 Other Limited Benefit Plan

\$

5.36 Other

\$

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [X] No []

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

.....0

8.2 Number of providers at end of reporting year

.....

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

.....

9.22 Business with rate guarantees over 36 months

.....

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....

10.22 Amount actually paid for year bonuses

\$.....

10.23 Maximum amount payable withholds

\$.....

10.24 Amount actually paid for year withholds

\$.....

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or,

Yes [] No [X]

11.14 A Mixed Model (combination of above) ?

Yes [] No [X]

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such minimum capital and surplus.

Louisiana.....

11.4 If yes, show the amount required.

\$.....3,000,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [] No [X]

11.6 If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Arkansas.....
Arizona.....
Colorado.....
District of Columbia.....
Delaware.....
Georgia.....
Iowa.....
Idaho.....
Illinois.....
Indiana.....
Kentucky.....
Louisiana.....
Maryland.....
Maine.....
Michigan.....
Minnesota.....
Missouri.....
Montana.....
North Carolina.....
North Dakota.....
Nebraska.....
New Hampshire.....
New Mexico.....
Pennsylvania.....
South Dakota.....
Tennessee.....
Texas.....
Utah.....
Virginia.....
West Virginia.....
Vermont.....
Wisconsin.....
Oklahoma.....
South Carolina.....
Alaska.....
Alabama.....
California.....
Connecticut.....
Hawaii.....
Ohio.....
Oregon.....
Massachussets.....
Mississippi.....
Kansas.....
Rhode Island.....
Washington.....

13.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$.....

13.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$.....

14.1 Are any of the captive affiliates reported on Schedule S, Part 3 as authorized reinsurers?

Yes [] No [N/A [X]

14.2 If the answer to 14.1 is yes, please provide the following:

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

1	2	3	4	Assets Supporting Reserve Credit		
				5	6	7
Company Name	NAIC Company Code	Domiciliary Jurisdiction	Reserve Credit	Letters of Credit	Trust Agreements	Other

15. Provide the following for Individual ordinary life insurance* policies (U.S. business Only) for the current year:
- 15.1 Direct Premium Written (prior to reinsurance ceded)

\$.....
- 15.2 Total incurred claims

\$.....
- 15.3 Number of covered lives

.....

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without Secondary Guarantee)
Universal Life (with or without Secondary Guarantee)
Variable Universal Life (with or without Secondary Guarantee)

FIVE - YEAR HISTORICAL DATA

	1 2017	2 2016	3 2015	4 2014	5 2013
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	131,047,361	146,955,129	64,977,497	67,228,589	78,379,786
2. Total liabilities (Page 3, Line 24)	79,153,418	88,671,272	17,059,387	40,270,119	40,600,231
3. Statutory minimum capital and surplus requirement	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
4. Total capital and surplus (Page 3, Line 33)	51,893,941	58,283,857	47,918,110	26,958,469	37,779,554
Income Statement (Page 4)					
5. Total revenues (Line 8)	113,268,659	59,828,931	118,542,460	128,776,985	128,583,105
6. Total medical and hospital expenses (Line 18)	101,885,477	47,402,270	95,414,407	106,701,594	104,402,028
7. Claims adjustment expenses (Line 20)	424,570	(30,542)	1,928,570	3,051,118	2,191,848
8. Total administrative expenses (Line 21)	13,043,590	4,963,816	4,207,173	6,616,302	2,778,489
9. Net underwriting gain (loss) (Line 24)	(2,084,978)	7,493,388	16,992,310	12,407,972	19,210,740
10. Net investment gain (loss) (Line 27)	10,468,411	4,675,823	245,824	194,939	115,084
11. Total other income (Lines 28 plus 29)	0	0	0	0	0
12. Net income or (loss) (Line 32)	9,088,820	8,759,332	10,361,160	7,546,267	12,561,786
Cash Flow (Page 6)					
13. Net cash from operations (Line 11).....	(19,562,748)	(35,932,725)	7,748,416	(6,792,545)	1,773,808
Risk-Based Capital Analysis					
14. Total adjusted capital.....	51,893,941	58,283,857	47,918,110	26,958,469	37,779,554
15. Authorized control level risk-based capital.....	2,761,138	4,805,703	6,241,382	2,110,641	2,404,424
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	108,974	63,476	4,422	291,651	288,770
17. Total members months (Column 6, Line 7)	1,221,487	619,040	3,328,820	3,345,398	3,347,467
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	87.6	83.2	83.1	84.8	81.2
20. Cost containment expenses	0.4	(0.1)	1.7	2.3	1.7
21. Other claims adjustment expenses	0.0	0.0	0.0	0.1	0.0
22. Total underwriting deductions (Line 23)	99.2	91.9	88.5	92.4	85.1
23. Total underwriting gain (loss) (Line 24)	(1.8)	13.2	14.8	9.9	14.9
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	(428,732)	5,753,800	16,420,859	22,489,218	30,255,557
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	843,480	9,213,524	23,798,334	27,146,109	32,615,524
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	0	11,695,939	9,105,465	3,882,452	3,673,537
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate	0	0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31.....	0	11,695,939	9,105,465	3,882,452	3,673,537
33. Total investment in parent included in Lines 26 to 31 above					

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

If no, please explain

.....

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

			1	Direct Business Only							
			2	3	4	5	6	7	8	9	
State, Etc.			Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama	AL	L	2,678,806						2,678,806	0
2.	Alaska	AK	L							0	0
3.	Arizona	AZ	L	4,139,801						4,139,801	0
4.	Arkansas	AR	L	1,928,674						1,928,674	0
5.	California	CA	L							0	0
6.	Colorado	CO	L	1,284,124						1,284,124	0
7.	Connecticut	CT	L							0	0
8.	Delaware	DE	L	706,309						706,309	0
9.	District of Columbia	DC	L	842,826						842,826	0
10.	Florida	FL	N							0	0
11.	Georgia	GA	L	3,446,655						3,446,655	0
12.	Hawaii	HI	L							0	0
13.	Idaho	ID	L	738,930						738,930	0
14.	Illinois	IL	L	3,913,017						3,913,017	0
15.	Indiana	IN	L	2,644,900						2,644,900	0
16.	Iowa	IA	L	2,513,881						2,513,881	0
17.	Kansas	KS	L							0	0
18.	Kentucky	KY	L	2,197,750						2,197,750	0
19.	Louisiana	LA	L	1,822,019						1,822,019	0
20.	Maine	ME	L	1,053,881						1,053,881	0
21.	Maryland	MD	L	4,774,304						4,774,304	0
22.	Massachusetts	MA	L							0	0
23.	Michigan	MI	L	4,282,523						4,282,523	0
24.	Minnesota	MN	L	1,296,094						1,296,094	0
25.	Mississippi	MS	L							0	0
26.	Missouri	MO	L	2,354,505						2,354,505	0
27.	Montana	MT	L	529,461						529,461	0
28.	Nebraska	NE	L	1,860,996						1,860,996	0
29.	Nevada	NV	N							0	0
30.	New Hampshire	NH	L	822,115						822,115	0
31.	New Jersey	NJ	N							0	0
32.	New Mexico	NM	L	245,342						245,342	0
33.	New York	NY	N	20,320,952						20,320,952	0
34.	North Carolina	NC	L	5,720,437						5,720,437	0
35.	North Dakota	ND	L	516,916						516,916	0
36.	Ohio	OH	L							0	0
37.	Oklahoma	OK	L							0	0
38.	Oregon	OR	L							0	0
39.	Pennsylvania	PA	L	3,328,724						3,328,724	0
40.	Rhode Island	RI	L							0	0
41.	South Carolina	SC	L							0	0
42.	South Dakota	SD	L	811,222						811,222	0
43.	Tennessee	TN	L	3,307,075						3,307,075	0
44.	Texas	TX	L	7,000,201						7,000,201	0
45.	Utah	UT	L	556,089						556,089	0
46.	Vermont	VT	L							0	0
47.	Virginia	VA	L	13,689,403						13,689,403	0
48.	Washington	WA	L							0	0
49.	West Virginia	WV	L	1,117,573						1,117,573	0
50.	Wisconsin	WI	L							0	0
51.	Wyoming	WY	N	275,566						275,566	0
52.	American Samoa	AS	N							0	0
53.	Guam	GU	N							0	0
54.	Puerto Rico	PR	N							0	0
55.	U.S. Virgin Islands	VI	N							0	0
56.	Northern Mariana Islands	MP	N							0	0
57.	Canada	CAN	N							0	0
58.	Aggregate other alien	OT	XXX	0	0	0	0	0	0	0	0
59.	Subtotal.....		XXX	102,721,070	0	0	0	0	0	102,721,070	0
60.	Reporting entity contributions for Employee Benefit Plans.....		XXX							0	
61.	Total (Direct Business)	(a)	46	102,721,070	0	0	0	0	0	102,721,070	0
DETAILS OF WRITE-INS											
58001.			XXX								
58002.			XXX								
58003.			XXX								
58998.	Summary of remaining write-ins for Line 58 from overflow page.....		XXX	0	0	0	0	0	0	0	0
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)		XXX	0	0	0	0	0	0	0	0

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.
Explanation of basis of allocation by states, premiums by state, etc. Revenue allocated on state based on where member registers with CMS.
(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

MAGELLAN HEALTH, INC.
LIST OF SUBSIDIARIES as of 12/31/17

Entity Name:	Jurisdiction of Domicile:	Entity Type:	Ownership
Accenda Health Holding Company, LLC	Delaware	LLC	30%
Magellan Pharmacy Services, Inc.	Delaware	C	100%
<i>Subsidiaries:</i>			
4-D Pharmacy Management Systems, LLC	Michigan	LLC	100%
AdvoCare of Tennessee, Inc.	Tennessee	C	100%
Magellan Method, LLC (f/k/a CDMI, LLC)	Rhode Island	LLC	100%
Magellan Administrative Services, LLC	Delaware	LLC	100%
Magellan Behavioral Health of New Jersey, LLC	New Jersey	LLC	100%
Magellan Behavioral of Michigan, Inc.	Michigan	C	100%
Magellan Health Services of California, Inc. – Employer Services	California	C	100%
Magellan Rx Management IPA, Inc.	New York	C	100%
Magellan Rx Pharmacy, LLC	Delaware	LLC	100%
<i>Subsidiary:</i>			
ONCORE Healthcare, LLC	Delaware	LLC	100%
Magellan Pharmacy Solutions, Inc.	Delaware	C	100%
Magellan Rx Management, LLC	Delaware	LLC	100%
Veridicus Holdings, LLC	Utah	LLC	100%
<i>Subsidiaries:</i>			
VRx, LLC	Utah	LLC	100%

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

VRx Pharmacy, LLC	Utah	LLC	100%
Veridicus Consulting, LLC	Utah	LLC	100%
Veridicus Rx, LLC	Utah	LLC	100%
Alliance Enrollment Technology, LLC	Utah	LLC	100%
Veridicus Acquisition, LLC	Utah	LLC	100%
Magellan Healthcare, Inc.	Delaware	C	100%
<i>Subsidiaries:</i>			
Armed Forces Services Corporation	Virginia	C	100%
Arizona Biodyne, Inc.	Arizona	C	100%
AlphaCare Holdings, Inc.	Delaware	C	100%
<i>Subsidiary:</i>			
AlphaCare of New York, Inc	New York	C	100%
Continuum Behavioral Healthcare Corporation	Delaware	C	100%
Cobalt Therapeutics, LLC	Delaware	LLC	100%
<i>Subsidiary:</i>			
Cobalt Software, LLC	Delaware	LLC	100%
Granite Alliance Insurance Company	Utah	C	100%
MBC of America, Inc.	Delaware	C	100%
<i>Subsidiary:</i>			
Empire Community Delivery Systems, LLC	New York	LLC	16.667%
Florida MHS, Inc.	Florida	C	100%
Magellan Behavioral Health of Connecticut, LLC	Connecticut	LLC	100%
Magellan Choices for Families, LLC	Nebraska	LLC	60%

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Magellan Complete Care, Inc.	Delaware	C	100%
Magellan Complete Care of Louisiana, Inc.	Louisiana	C	100%
Magellan Complete Care of Nebraska, Inc.	Nebraska	C	100%
Magellan Complete Care of Pennsylvania, Inc.	Pennsylvania	C	100%
Magellan Complete Care of Virginia, LLC (f/k/a Magellan Complete Care of Virginia, Inc.)	Virginia	LLC	100%
Magellan Complete Care of Texas, Inc.	Texas	C	100%
Magellan Healthcare Provider Group, Inc.	Maryland	C	100%
Magellan Medicaid Administration, Inc.	Virginia	C	100%
<i>Subsidiaries:</i>			
FHC, Inc.	Canada	C	100%
Provider Synergies, LLC	Ohio	LLC	100%
Human Affairs International of California	California	C	100%
Magellan Behavioral Health of Florida, Inc.	Florida	C	100%
Magellan Behavioral Health of Nebraska, Inc.	Nebraska	C	100%
Magellan Behavioral Health Systems, LLC	Utah	LLC	100%
Magellan Health QIO, LLC	Nebraska	LLC	100%
Magellan Health Services of Arizona, Inc.	Arizona	C	100%
<i>Subsidiaries:</i>			
Magellan Complete Care of Arizona, Inc. (f/k/a Magellan of Arizona, Inc.)	Arizona	C	100%
Magellan Health Services of New Mexico, Inc.	New Mexico	C	100%
Magellan CBHS Holdings, LLC	Delaware	LLC	100%
<i>Subsidiaries:</i>			

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

Charter Behavioral Health System of Massachusetts, Inc.	Massachusetts	C	100%
Charter Behavioral Health System of New Mexico, Inc.	New Mexico	C	100%
Charter Fairmount Behavioral Health System, Inc.	Pennsylvania	C	100%
Charter Medical of Puerto Rico, Inc.	Puerto Rico	C	100%
Charter North Star Behavioral Health System, L.L.C.	Tennessee	LLC	50%
Charter Northridge Behavioral Health System, Inc.	North Carolina	C	100%
<i>Subsidiary:</i>			
Holly Hill/Charter Behavioral Health System, L.L.C.	Tennessee	LLC	50%
HealthPeaksMD, LLC (f/k/a Magnet, LLC)	Delaware	LLC	100%
MBH of Puerto Rico, Inc.	Puerto Rico	C	100%
Merit Health Insurance Company	Illinois	C	100%
Magellan Life Insurance Company	Delaware	C	100%
The Management Group, LLC	Wisconsin	LLC	100%
U.S. IPA Providers, Inc.	New York	C	100%
Merit Behavioral Care Corporation	Delaware	C	100%
<i>Subsidiaries:</i>			
Magellan HRSC, Inc.	Ohio	C	100%
Magellan Behavioral Health of Pennsylvania, Inc.	Pennsylvania	C	100%
Continuum Behavioral Care, LLC	Rhode Island	LLC	50%
Magellan Providers of Texas, Inc.	Texas	C	100%
MBC of North Carolina, LLC	North Carolina	LLC	100%
Magellan Behavioral Care of Iowa, Inc.	Iowa	C	100%
PPC Group, Inc.	Delaware	C	100%

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

P.P.C., Inc.	Missouri	C	100%
National Imaging Associates, Inc.	Delaware	C	100%
<i>Subsidiaries:</i>			
Accountable Cardiac Care of Mississippi, LLC	Mississippi	LLC	50%
NIA IPA of New York, Inc.	New York	C	100%
National Imaging Associates of Pennsylvania, LLC	Pennsylvania	LLC	100%
National Imaging of CA, Inc.	California	C	100%
NIA Iowa, Inc.	Iowa	C	100%
NIA/Magellan Specialty Management, Inc.	Delaware	C	100%
SWH Holdings, Inc.	Delaware	C	100%
<i>Subsidiaries:</i>			
Senior Health Holdings, LLC	Delaware	LLC	100%
<i>Subsidiaries:</i>			
Senior Health Holdings, Inc.	Delaware	C	100%
<i>Subsidiaries:</i>			
Senior Whole Health, LLC	Delaware	LLC	100%
Senior Whole Health of New York, Inc.	New York	C	100%
Senior Whole Health Management, Inc.	Delaware	C	100%
Magellan Capital, Inc.	Delaware	C	100%
Magellan Financial Capital, Inc.	Nevada	C	100%

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