AMERIHEALTH CARITAS LOUISIANA, INC.

Statutory Financial Statements

December 31, 2018 and 2017

(With Independent Auditors’ Report Thereon)

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors
AmeriHealth Caritas Louisiana, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of AmeriHealth Caritas Louisiana, Inc., which comprise the statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2018 and 2017, and the related statutory statements of revenues and expenses and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

The effects on the financial statements of the variances between the statutory accounting practices and U.S. generally accepted accounting principles also are described in Note 14.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the variances between statutory accounting practices and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of AmeriHealth Caritas Louisiana, Inc. as of December 31, 2018 and 2017, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of AmeriHealth Caritas Louisiana, Inc. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the Louisiana Department of Insurance described in Note 2.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 3 to the financial statements, the Company's contract with the State of Louisiana Department of Health expires on December 31, 2019. Our opinion is not modified with respect to this matter.

Other Matter

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

KPMG LLP

Philadelphia, Pennsylvania
May 29, 2019

AMERIHEALTH CARITAS LOUISIANA, INC.

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus

December 31, 2018 and 2017

(In thousands)

Admitted Assets		**2018**	**2017**
Cash, cash equivalents, and short-term investments	$	175,175	213,234
Restricted investment securities		1,009	1,000
Investment securities		11,973	—
Premiums receivable		69,617	51,071
Healthcare receivables		1,490	1,540
Federal income tax recoverable		607	—
Investment income receivable		542	150
Deferred income taxes		1,247	1,214
EDP equipment and software, net		15	27
Total admitted assets	$	261,675	268,236
Liabilities and Capital and Surplus			
Accrued medical expenses	$	142,556	141,218
Unpaid claims adjustment expenses		1,523	1,609
Accounts payable and accrued expenses		5,675	3,749
Due to affiliates		6,521	8,722
Federal income tax payable		—	104
Premium assessment		18,421	18,646
Total liabilities		174,696	174,048
Commitments and contingencies (notes 12 and 13)			
Capital and surplus:			
Paid-in surplus		63,871	63,871
Unassigned funds		23,108	11,237
Special surplus		—	19,080
Total capital and surplus		86,979	94,188
Total liabilities and capital and surplus	$	261,675	268,236

See accompanying notes to statutory financial statements.

AMERIHEALTH CARITAS LOUISIANA, INC.

Statutory Statements of Revenues and Expenses

Years ended December 31, 2018 and 2017

(In thousands)

		2018	2017
Revenues:			
Premiums	$	1,100,184	1,020,347
Investment income		3,522	1,763
Total revenues		1,103,706	1,022,110
Expenses:			
Medical and hospital expenses		931,527	847,750
Claims adjustment expenses		22,461	22,711
Administrative expenses		140,957	110,080
Total expenses		1,094,945	980,541
Income before federal income tax expense		8,761	41,569
Federal income tax expense		6,127	14,262
Net income	$	2,634	27,307

See accompanying notes to statutory financial statements.

AMERIHEALTH CARITAS LOUISIANA, INC.

Statutory Statements of Changes in Capital and Surplus

Years ended December 31, 2018 and 2017

(In thousands)

		Paid-in surplus	Unassigned funds	Special surplus	Total
Balances at January 1, 2017	$	63,871	4,065	—	67,936
Change in nonadmitted assets		—	323	—	323
Change in net deferred income taxes		—	(1,378)	—	(1,378)
Net income		—	27,307	—	27,307
Change in subsequent year Affordable Care Act assessment (note 2)		—	(19,080)	19,080	—
Balances at December 31, 2017		63,871	11,237	19,080	94,188
Change in nonadmitted assets		—	(541)	—	(541)
Change in net deferred income taxes		—	98	—	98
Dividend to stockholder		—	(9,400)	—	(9,400)
Net income		—	2,634	—	2,634
Change in subsequent year Affordable Care Act assessment (note 2)		—	19,080	(19,080)	—
Balances at December 31, 2018	$	63,871	23,108	—	86,979

See accompanying notes to statutory financial statements.

AMERIHEALTH CARITAS LOUISIANA, INC.

Statutory Statements of Cash Flows

Years ended December 31, 2018 and 2017

(In thousands)

		2018	2017
Cash flows from operating activities:			
Premiums collected	$	1,081,638	1,052,101
Claims expenses paid		(930,650)	(862,746)
General administrative expenses paid		(163,605)	(153,088)
Investment income received		2,834	1,591
Federal income taxes paid		(6,838)	(12,014)
Net cash (used in) provided by operating activities		(16,621)	25,844
Cash flows from investing activities:			
Proceeds from maturities of investments		290	3,520
Cost of investments acquired		(11,977)	(1,000)
Net cash (used in) provided by investing activities		(11,687)	2,520
Cash flows from financing and other activities:			
Dividend to stockholder		(9,400)	—
Other cash applied		(351)	(122)
Net cash used in financing and other activities		(9,751)	(122)
Net (decrease) increase in cash, cash equivalents, and short-term investments		(38,059)	28,242
Cash, cash equivalents, and short-term investments at beginning of year		213,234	184,992
Cash, cash equivalents, and short-term investments at end of year	$	175,175	213,234

See accompanying notes to statutory financial statements.

(1) Organization and Description of Business

AmeriHealth Caritas Louisiana, Inc. (the Company) was incorporated on October 5, 2010 for the purpose of providing prepaid managed care services to Medicaid enrollees in the State of Louisiana. The Company is an indirect wholly owned subsidiary of AmeriHealth Caritas Health Plan (ACHP). ACHP is a Pennsylvania partnership formed to develop and operate managed care business for Medicaid and Medicare enrollees.

The Company operates under a license issued by the Louisiana Department of Insurance (DOI).

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying statutory financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the Louisiana DOI. Such practices vary from U.S. generally accepted accounting principles (GAAP) principally in that certain assets, reportable under GAAP are nonadmitted and have been excluded from the accompanying statutory statements of admitted assets, liabilities, and capital and surplus and charged directly to capital and surplus; certain investments, which would be carried at estimated fair value under GAAP, are carried at amortized cost in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus; deferred tax assets are recognized for federal income tax purposes only; and changes in net deferred tax assets and liabilities are reflected as changes in capital and surplus. Under GAAP, such deferred tax changes are reflected in operations.

The Louisiana DOI recognizes only statutory accounting practices prescribed or permitted by the State of Louisiana for determining and reporting the financial condition and results of operations of an insurance company, and for determining insolvency under the Louisiana Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Louisiana.

Prescribed and Permitted Accounting Practices

Currently, "prescribed" statutory accounting practices are interspersed throughout the state insurance laws and regulations, NAIC SAP, and a variety of other NAIC publications. "Permitted" statutory accounting practices encompass all accounting practices that are not prescribed but are permitted by the domicile state DOI; such practices may differ from state to state, may differ from company to company within a state, and may change in the future.

The Company's net income and capital and surplus as stated on a NAIC SAP basis and on the basis of practices prescribed or permitted by the State of Louisiana are the same as of and for the years ended December 31, 2018 and 2017.

(Continued)

Use of Estimates

The preparation of statutory financial statements in conformity with accounting practices prescribed or permitted by the Louisiana DOI requires management to make estimates and assumptions that affect the amounts reported in the statutory financial statements and accompanying notes. One of the more significant estimates is accrued medical expenses. Actual results could differ from those estimates.

Cash, Cash Equivalents, and Short-Term Investments

Cash and cash equivalents include cash, debt securities, and other highly liquid investments with original maturities of three months or less when purchased. Short-term investments consist primarily of investments with original maturities of 91 days to one year when purchased. Interest income from cash, cash equivalents, and short-term investments is included in investment income on the accompanying statutory statements of revenues and expenses.

Cash equivalents and short-term investments totaled $57,571 and $84,762 as of December 31, 2018 and 2017, respectively.

Restricted Investment Securities

The Company holds restricted investment securities of $1,009 and $1,000 as of December 31, 2018 and 2017, respectively. These amounts are restricted pursuant to Louisiana Statute RS22:254(A), which requires an entity to deposit with the Commissioner of the DOI a safe keeping receipt or trust receipt from banking corporations doing a banking business within the State of Louisiana or from a savings and loan association or other insured financial institution chartered to do business in the State of Louisiana evidencing that the entity has deposited $1,000 in cash to guarantee its financial responsibility.

Investment Securities

Bonds and other debt instruments are stated at amortized cost or at values prescribed by the Louisiana DOI. Bonds with an NAIC designation of 3 through 6 are reported at the lower of amortized cost or fair value. The amortized cost of bonds is adjusted for amortization of premiums and accretion of discounts using the effective-interest method. Realized gains and losses on the sale of investments are recognized on the specific-identification basis as of the trade date. Realized losses also include losses for fair value declines that are considered to be other-than-temporary. Interest income is recognized when earned.

The Company manages it investment portfolio to limit its exposure to any one issuer or market sector and limits its investments to investment grade quality. Securities downgraded below policy minimums after purchase will be disposed of in accordance with the Company's investment policy.

The Company regularly reviews its debt securities to determine whether a decline in fair value below the carrying value is other-than-temporary. Factors considered in determining whether an other-than-temporary impairment loss exists include duration and severity of the loss, adverse conditions specifically related to the security, the industry or the geographic area, the financial condition and near-term prospects of the issuer, analysis and guidance provided by rating agencies and analysts, and changes in fair value subsequent to the balance sheet date.

(Continued)

Pursuant to Statement of Statutory Accounting Principles (SSAP) No. 43R, *Loan-backed and Structured Securities*, a loan-backed security is other-than-temporarily impaired if the present value of future cash flows expected to be collected from the security is less than the amortized cost of the security or where the Company intends to sell or does not have the intent and ability to retain the investment in the loan-backed security for the time sufficient to recover the security's amortized cost basis. A fixed maturity security falling outside the scope of SSAP No. 43R is other-than-temporarily impaired if it is probable that the Company will not be able to collect all amounts due under the security's contractual terms or where the Company does not have the intent to hold the security for a period of time sufficient to allow for any anticipated recovery.

When the Company determines that an other-than-temporary impairment loss exists for a loan-backed security and the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security prior to recovering the security's amortized cost basis less any current-period credit loss, the portion of the total impairment that is attributable to the credit loss is recognized in operations as a realized investment loss, and the cost basis of the security is reduced by the amount of the credit-related impairment.

When the Company determines that an other-than-temporary impairment loss exists for: (1) a loan-backed security that the Company intends to sell or does not have the intent and ability to retain the investment in the loan-backed security for the time sufficient to recover the amortized cost basis or (2) an invested asset falling outside the scope of SSAP No. 43R, the security is written down to fair value, and the amount of the impairment is included in operations as a realized investment loss. The fair value then becomes the new cost basis of the investment, and any subsequent recoveries in fair value are recognized at disposition. The discount or reduced premium recorded for fixed maturity securities, based on the new cost basis, is amortized over the remaining useful life of the security based on the amount and timing of future estimated cash flows.

Financial Instruments

The Company determines the fair value of its asset and liabilities in accordance with SSAP No. 100, *Fair Value*. SSAP No. 100 provides information about the extent to which fair value is used to measure assets and liabilities, the methods and assumptions used to measure fair value, and the effect of fair value measures on earnings. SSAP No. 100 establishes a fair value hierarchy to increase consistency and comparability in fair value measurements and disclosures. The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and lowest priority to unobservable inputs. The lowest level of input that is significant to the valuation is utilized in the fair value classification of financial assets and liabilities. The Company's policy is to recognize transfers between levels as of the end of the reporting period.

Healthcare receivables

Healthcare receivables consist of pharmacy rebates receivable and claim overpayment receivables. In accordance with SSAP No. 84, *Health Care and Government Insured Plan Receivables*, healthcare receivables of $3,174 and $2,662 as of December 31, 2018 and 2017, respectively, were nonadmitted.

Fixed Assets

Furniture and fixtures and leasehold improvements are designated as "nonadmitted assets" and are charged directly to capital and surplus. Electronic data processing (EDP) equipment exceeding 3% of statutory capital and surplus for the most recently filed statement with the Louisiana DOI (adjusted to exclude EDP equipment and deferred taxes) are designated as nonadmitted assets and are charged directly to capital and surplus. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, which ranges from three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining lease term or estimated useful life of the asset. Maintenance and repairs are charged to operations when incurred.

Premiums Revenue

The Company records premiums revenue based on membership records and premium rates for each membership category. Premiums revenues are comprised of the following:

- *Capitation* – Capitated premiums are calculated based on a fixed premium per member per month and are recognized as revenue and generally collected in the month in which the Company is obligated to provide service to such members.

  Capitated premium rates also include funds designated for distribution to designated organizations in order to promote continued access to quality care for members. The Company is required to remit these funds, net of the premium assessment, directly to the designated organizations. The premium revenue earned under this program that was not received as of year-end is included in premiums receivable on the accompanying statutory statements of admitted assets, liabilities, and capital and surplus, with a corresponding liability for amounts due to the designated organizations included in accrued medical expenses.

  The Company is required to expend a minimum percentage of capitated premiums on eligible medical expense. To the extent that the Company expends less than the minimum percentage of capitated premiums on eligible medical cost, the Company is required to refund all or some portion of the difference between the minimum and the actual allowable medical expense incurred. The Company estimates the amounts due as a reduction of capitation premium.

- *Quality incentives* - Incentive revenues can be earned when certain quality thresholds are met. These incentives are generally recognized as revenue in the period such revenues are reasonably estimable and are settled upon expiration of the measurement period, which typically occurs within the subsequent contract year. Premium incentives recognized were $11,463 and $0 for the years ended December 31, 2018 and 2017, respectively.

- *Other* – Includes premiums related to supplemental services provided, such as maternity deliveries. Premiums for supplemental services are reasonably estimable based on historical trends and adjustments are made to those estimates based on actual experience.

(In thousands)

To the extent that premium payments differ from recorded revenue, the amount of the difference is recorded as either premiums receivable or premium overpayments until such time that the differences are resolved. The Company regularly evaluates the collectability of its premiums receivable.

ACA Assessment

SSAP No. 106, *Affordable Care Act Section 9010 Assessment*, provides specific guidance related to the assessment in Section 9010 of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (as amended, collectively, referred to as the ACA). Pursuant to this section of the ACA, qualifying health insurers are subject to an annual fee for each calendar year. This annual fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the aggregate amount of health premiums written for any U.S. health insurance provider during the preceding calendar year. A health insurance entity's portion of the annual fee is paid no later than September 30 of the applicable calendar year and is not tax deductible. The liability and expense related to the assessment is estimated and recorded in full on January 1 once the entity provides qualifying health insurance in the applicable calendar year in which the assessment is paid.

During the data year preceding the calendar year in which the fee is payable, qualifying health insurers are required to reclassify from unassigned funds to special surplus the amount of the estimated subsequent fee year assessment. This segregation is accrued monthly throughout the data year and has no impact on total capital and surplus.

On January 22, 2018, the Consolidated Appropriations Act of 2018 placed a moratorium on the ACA assessment, suspending collection of the health insurance fee for the 2019 calendar year (2018 data year). Thus, premiums written during 2018 are not subject to this assessment and segregation of special surplus is not required as of December 31, 2018.

Premiums written amounted to $1,020,347 for the year ended December 31, 2017, which were the basis for the determination of the ACA assessment paid in September 2018 related to the 2017 data year in the amount of $20,409. Due to the moratorium on the 2016 data year, the Company was not subject to this assessment for the 2017 calendar year.

Total capital and surplus and authorized control level as of December 31, 2018 and 2017 are as follows:

		2018	2017
Total capital and surplus	$	86,979	94,188
Authorized control level		29,077	29,730

(In thousands)

Total capital and surplus and authorized control level adjusted to reflect the estimated impact of the subsequent year assessment as if it had been recognized as of December 31, 2018 and 2017 are as follows:

		2018	2017
Total capital and surplus	$	86,979	75,108
Authorized control level		29,077	29,730

If the estimate of the 2017 data year fee, as reported in special surplus, had been recognized in the 2017 statutory statement of revenues and expenses, the Company would still have been in compliance with the minimum capital and surplus requirements. No segregation of special surplus was required as of December 31, 2018.

Premium Assessment

Louisiana health maintenance organizations (HMOs) are assessed a 5.50% state tax on the premiums revenue received. The premiums revenue paid to the HMOs is increased to account for the cost of the tax. Taxes incurred under this program amounted to $60,516 and $56,707 for the years ended December 31, 2018 and 2017, respectively, and are included within administrative expenses on the accompanying statutory statements of revenues and expenses.

Medical and Hospital Expenses

Medical and hospital expenses consist of capitation payments for primary care physicians, subcontracted medical services, claims paid on a fee-for service basis based upon contracted rates with providers, and prescription drug costs, net of rebates. Rebates are recognized when earned according to the contractual arrangements with the drug manufacturer, which is more fully described in note 10.

Accrued medical expenses and unpaid claims adjustment expenses include medical expenses billed and not paid, an estimate for costs incurred but not reported (IBNR), and estimated costs to process these claims. The Company determines IBNR in accordance with actuarial principles and assumptions that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. Actuarial Standards of Practice require that the liabilities be adequate under moderately adverse circumstances. Actuarial estimates are based upon authorized healthcare services, past claims payment experience, member census, and other relevant factors.

To estimate IBNR the Company uses the triangulation method. The method of triangulation uses estimates of completion factors, which are then applied to the total paid claims net of coordination of benefits to date for each incurred month. This provides an estimate of the total projected incurred claims and total amount outstanding of claims incurred but not reported. Consideration is also given to changes in turnaround time and claims processing, which may impact completion factors. The Company utilizes a medical loss ratio reserve methodology until there is sufficient paid claims data to rely on the triangulation method. The Company consistently applies its reserving methodology from period to period and periodically reviews actual and anticipated experience compared to the assumptions used to establish medical costs. There were no changes in the Company's reserving methodology for the years ended December 31, 2018 or 2017.

The estimation of IBNR utilizes a high degree of judgment. As a result, considerable variability and uncertainty is inherent in such estimates and the adequacy of such estimates is highly sensitive to changes in assumed completion factors and assumed health care cost trends. At each reporting date, the Company recognizes the actuarial best estimate of the ultimate liability considering the potential volatility in these factors. While the Company believes the accrual for medical expenses is adequate, actual claim payments could materially differ from such estimates. The Company recognizes any change in estimates in medical expenses in the period in which the change is identified.

Income Taxes

The Company is a Louisiana Insurance Company that is subject to state and federal income tax. Deferred income tax assets and liabilities represent the expected future federal tax consequences of temporary differences generated by statutory accounting. Deferred tax assets (DTAs) and deferred tax liabilities (DTLs) are computed by means of identifying temporary differences, which are measured using a balance sheet approach whereby statutory and tax-basis balance sheets are compared.

The Company is subject to federal income taxes under provisions of Section 1012.b of the Tax Reform Act of 1986 and the newly enacted Tax Cuts and Jobs Act (H.R. 1) (Tax Reform Bill). On December 22, 2017, the President of the United States of America signed into law the Tax Reform Bill, which amends the Internal Revenue Code to reduce corporate tax rates from 35% to 21% effective January 1, 2018 and modifies policies, credits, and deductions for businesses. As a result of the reduction of the corporate tax rate, SSAP No. 101, *Income Taxes,* supplemented by Interpretation 18-01, *Updated Tax Estimates Under the Tax Cuts and Jobs Act,* requires companies to re-measure their DTAs and DTLs as of the date of enactment with resulting tax effects accounted for in the reporting period of enactment. The financial statement effects of a change in tax law are recorded as a component of capital and surplus.

The Company is included in the consolidated federal income tax return of AMHP Holdings Corp. (Holdings), a wholly owned subsidiary of ACHP, which includes the aggregate taxable income or loss of Holdings and its subsidiaries. The Company is a member of a tax sharing agreement that specifies the manner in which the group will share the consolidated tax liability and also how certain tax attributes are to be treated among members of the group. Current and deferred taxes are allocated to the Company under the modified separate-return method (or benefits for loss method). Under this method, the Company is assumed to file a separate return with the taxing authority, thereby reporting its taxable income or loss and paying the applicable tax to or receiving the appropriate refund from Holdings as if the Company was a separate taxpayer, except that net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) by the Company when those tax attributes are realized (or realizable) by the consolidated federal tax return group even if the Company would not otherwise have realized the attributes on a stand-alone basis.

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

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

b) The amount of adjusted gross DTAs, after the application of paragraph a. above, expected to be realized within the applicable period and that is no greater than the applicable percentage, as determined using the applicable Realization Threshold Limitation Table. The applicable period refers to the number of years in which the DTA will reverse in the Company's tax return and the applicable percentage refers to the percentage of the Company's statutory capital and surplus as required to be shown on the statutory statements of admitted assets, liabilities, and capital and surplus adjusted to exclude any net DTAs, EDP equipment and operating system software, and any net positive goodwill (Stat Cap ExDTA). The Realization Threshold Limitation Tables allow DTAs to be admitted based upon either realization within 3 years and 15% of Stat Cap ExDTA, 1 year and 10% of Stat Cap ExDTA, or no DTA admitted pursuant to this paragraph. In general, the Realization Threshold Limitation Tables allow the Company to admit more DTAs if total DTAs as reported by the Company are a smaller percentage of statutory capital and surplus.

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

Changes in DTAs and DTLs are recognized as a separate component of gains and losses in surplus except to the extent allocated to changes in unrealized gains and losses. Changes in DTAs and DTLs allocated to unrealized gains and losses are netted against the related changes in unrealized gains and losses and are reported as change in net unrealized capital gains, which is also a separate component of gains and losses in surplus.

Regulation

Under applicable Louisiana state laws and regulations, the Company is required to maintain a minimum net worth of $3,000. The Company is also required by the State of Louisiana to maintain a minimum regulatory deposit as discussed in note 2. As of December 31, 2018 and 2017, the Company is in compliance with these requirements.

The NAIC adopted Risk Based Capital (RBC) standards for health organizations, including HMOs, that are designed to identify weakly capitalized companies by comparing each company's adjusted capital and surplus to its required capital and surplus (RBC Ratio). The RBC Ratio is designed to reflect the risk profile of the Company. Within certain ratio ranges, regulators have increasing authority to take action as the RBC

(In thousands)

Ratio decreases. There are four levels of regulatory action, ranging from requiring insurers to submit a comprehensive plan to the state insurance commissioner to requiring the state insurance commissioner to place the insurer under regulatory control. As of December 31, 2018 and 2017, the Company's statutory surplus exceeded the level required pursuant to the RBC calculation.

Contingencies

The Company accrues for loss contingencies associated with outstanding litigation, claims and assessments for which it has determined it is probable that a loss contingency exists and the amount of loss can be reasonably estimated. The Company expenses professional fees associated with litigation, claims and assessments as incurred.

(3) Business Concentration

The Company's premiums revenue for the years ended December 31, 2018 and 2017 is comprised of revenue received from the State of Louisiana Department of Health (LDH). The Company's contract with LDH expires on December 31, 2019. The discontinuation of involvement with LDH could have a material adverse effect on the future operations of the Company.

The ACA made broad-based changes to the U.S. health care system. Continuous efforts of the U.S. Presidential office and certain members of Congress to either repeal, amend, or restrict funding for various aspects of the ACA create uncertainty about the future of the ACA. The Company's results of operations, financial position, and liquidity could be materially and adversely affected by changes to the ACA.

(4) Restricted Assets

As of December 31, 2018 and 2017, the Company's restricted assets consist of the following:

	Total gross restricted			Percentage of total assets	Percentage of admitted assets
	2018	2017	Change		
On deposit with State of Louisiana:					
Restricted investment securities	$ 1,009	1,000	9	0.4%	0.4%

(In thousands)

(5) Investment Securities

The Company's investment securities consist of the following as of December 31, 2018:

		Cost/ Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Industrial and miscellaneous	$	11,973	1	(4)	11,970

The statement value and estimated fair value of debt securities by contractual maturity date as of December 31, 2018 are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

		Statement value	Fair value
Due within one year	$	10,514	10,511
Due after one year through five years		1,459	1,459
Total debt securities	$	11,973	11,970

Proceeds from the maturity of investment securities aggregated $0 and $3,520 in 2018 and 2017, respectively.

As of December 31, 2018, the estimated fair value and unrealized losses for securities in a temporary unrealized loss position for less than 12 months were $4,221 and $4, respectively. The unrealized losses on these investments were primarily due to a widening of credit spreads rather than a decline in credit quality. The Company believes, based on its analysis, that these securities are not other-than-temporarily impaired. However, depending on developments involving both the issuers and overall economic conditions, these investments may be impaired in the future.

(6) Fair Value Measurement

Certain assets and liabilities are measured at fair value on the accompanying statutory statements of admitted assets, liabilities, and capital and surplus. The fair values are based on valuations that include inputs that can be classified within one of three levels of a hierarchy. The levels of the hierarchy and related inputs for each level are as follows:

Level 1 – Unadjusted quoted market prices for identical assets or liabilities in active markets.

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;

(In thousands)

- Inputs other than quoted prices that are observable for the asset/liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset.

When available, the Company uses quoted values and other data as inputs to determine the fair values of its investments and classifies these assets and liabilities in Level 1. For securities not actively traded, fair value is estimated using valuation methodologies based on available and observable market information or matrix pricing. These financial assets and liabilities are classified as Level 2.
Securities with fixed maturities other than U.S. Treasury securities generally do not trade in an active market. The fair value estimates of such fixed maturity investments are based on observable market information rather than market quotes. Accordingly, the estimated fair value of the Company's investment securities are disclosed as Level 2 of the fair value hierarchy as of December 31, 2018.

Investments that estimate fair value using the net asset value per share in a manner consistent with SSAP No. 100 are not classified within the fair value hierarchy pursuant to SSAP No. 2R, *Cash, Cash Equivalent, Drafts, and Short-Term Investments*. The fair value of the Company's investments in money market mutual funds with published daily net asset values have been measured using the net asset value per share and are disclosed pursuant to this guidance.

(7) Fixed Assets

As of December 31, 2018 and 2017, the Company's fixed assets consist of the following:

		December 31, 2018			December 31, 2017		
		EDP equipment and software	Furniture and fixtures and leasehold improvements	Total	EDP equipment and software	Furniture and fixtures and leasehold improvements	Total
Cost basis	$	90	1,858	1,948	195	1,571	1,766
Accumulated depreciation		(75)	(1,193)	(1,268)	(168)	(949)	(1,117)
Nonadmitted assets		—	(665)	(665)	—	(622)	(622)
Admitted balance	$	15	—	15	27	—	27

Depreciation and amortization expense charged to operations was $257 and $289 for the years ended December 31, 2018 and 2017, respectively. During the years ended December 31, 2018 and 2017, the Company disposed of fully depreictated fixed assets that were no longer in service in the amount of $106 and $0, respectively.

(In thousands)

(8) Accrued Medical Expenses and Unpaid Claims Adjustment Expenses

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

		2018	2017
Balance, beginning of year	$	142,827	157,146
Incurred related to:			
Current year		977,669	923,174
Prior year		(23,681)	(52,713)
Total incurred		953,988	870,461
Paid related to:			
Current year		834,539	784,960
Prior year		118,197	99,820
Total paid		952,736	884,780
Balance, end of year	$	144,079	142,827

Reserves for incurred claims and unpaid claim adjustment expenses attributable to insured events of prior years decreased by $23,681 from $142,827 in 2017 to $119,146 in 2018 and decreased by $52,713 from $157,146 in 2016 to $104,433 in 2017. Favorable reserves development of $38,800 during the year ended December 31, 2017 is attributable to the 2016 expansion population that had higher variability in the first year of coverage. The remaining favorable changes in estimates of incurred claims for prior years are primarily attributable to reserving under moderately adverse conditions as well as changes in utilization and loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

(9) Related-Party Transactions

The Company subcontracted the administrative portion of certain services, such as claims processing, to ACHP through November 30, 2017. ACHP subcontracted the majority of its services to AmeriHealth Caritas Services, LLC (ACS), an affiliate of ACHP under common ownership. Total costs incurred related to these administrative services were $36,846 for the year ended December 31, 2017, and are included in both administrative expenses and claims adjustment expenses on the accompanying 2017 statutory statement of revenues and expenses.

Effective December 1, 2017, the Company subcontracts the administrative portion of certain services directly to ACS. Total costs incurred related to these administrative services were $48,234 and $7,284 for the years ended December 31, 2018 and 2017, respectively, and are included in both administrative expenses and claims adjustment expenses on the accompanying statutory statements of revenues and expenses.

The Company maintains a Staffing Services Agreement (Agreement) with ACS for an initial term of five years, with an automatic annual renewal thereafter unless terminated by either party pursuant to the Agreement. In connection with the Agreement, ACS furnishes to the Company employees necessary to carry out the business operations of the Company. Costs incurred related to the compensation and benefits for employees assigned under the agreement amounted to $21,318 and $21,124 for the years ended December 31, 2018 and 2017, respectively, and are included in both administrative expenses and claims adjustment expenses on the accompanying statutory statements of revenues and expenses.

(In thousands)

PerformRx, LLC (PerformRx), a wholly owned subsidiary of ACHP, provides pharmacy benefit management (PBM) services to the Company. Total costs incurred for these services were $5,515 and $5,511 for the years ended December 31, 2018 and 2017, respectively, and are included in both administrative expenses and claims adjustment expenses on the accompanying statutory statements of revenues and expenses.

PerformSpecialty, LLC (PerformSpecialty), a wholly owned subsidiary of PerformRx, supplies specialty pharmacy drugs to the Company through a pharmacy provider contract between PerformRx and PerformSpecialty. Pharmacy costs incurred related to drugs purchased from PerformSpecialty were $6,042 and $4,610 for the years ended December 31, 2018 and 2017, respectively, and are included in medical and hospital expenses on the accompanying statutory statements of revenues and expenses. Amounts due to PerformSpecialty were $184 and $70 as of December 31, 2018 and 2017, respectively, and are included in accrued medical expenses on the accompanying statutory statements of admitted assets, liabilities, and capital and surplus.

Effective July 1, 2017, Company is party to a tax allocation agreement with Holdings. Pursuant to this agreement, federal tax payments for tax periods following the effective date are paid by Holdings on behalf of the downstream consolidated group. Amounts due from (to) Holdings under this agreement were $595 and ($116) as of December 31, 2018 and 2017, respectively, and are presented within federal income tax recoverable (payable) on the accompanying statutory statements of admitted assets, liabilities, and capital and surplus.

As of December 31, 2018 and 2017, due to affiliates is comprised of the following:

	2018	2017
ACS	$ 6,022	8,228
PerformRx	499	463
ACHP	—	31
	$ 6,521	8,722

The Company declared and paid the following dividend during the year ended December 31, 2018:

Date Declared	Date Paid	Amount
August 14, 2018	September 7, 2018	$ 9,400

(In thousands)

(10) Pharmacy Rebates Receivable

As discussed in note 9, PerformRx provides PBM services to the Company and maintains the contractual arrangements with the drug manufacturers for rebates that cover the Company's membership. The Company receives those rebates collected by PerformRx relating to the Company's membership on a quarterly basis pursuant to the agreement. In accordance with SSAP No. 84, pharmacy rebates receivable of $1,397 and $1,789 as of December 31, 2018 and 2017, respectively, were nonadmitted.

Quarter Ended		Admitted pharmacy rebates receivable on financial statements	Actual rebates collected to date
December 31, 2018	$	1,487	—
September 30, 2018		1,486	140
June 30, 2018		1,444	1,484
March 31, 2018		1,504	1,418
December 31, 2017		1,540	1,480
September 30, 2017		1,581	1,551
June 30, 2017		1,499	1,478
March 31, 2017		1,497	1,497

(11) Income Taxes

Components of the net DTAs as of December 31, 2018 and 2017 are as follows:

		December 31, 2018		
		Ordinary	Capital	Total
Gross DTAs	$	2,075	—	2,075
Statutory valuation allowance adjustments		—	—	—
Adjusted gross DTAs		2,075	—	2,075
DTAs nonadmitted		(762)	—	(762)
Subtotal net admitted DTAs		1,313	—	1,313
DTLs		(66)	—	(66)
Net admitted DTAs	$	1,247	—	1,247

(In thousands)

	December 31, 2017		
	Ordinary	Capital	Total
Gross DTAs	$ 1,986	—	1,986
Statutory valuation allowance adjustments	—	—	—
Adjusted gross DTAs	1,986	—	1,986
DTAs nonadmitted	(697)	—	(697)
Subtotal net admitted DTAs	1,289	—	1,289
DTLs	(75)	—	(75)
Net admitted DTAs	$ 1,214	—	1,214

	Change		
	Ordinary	Capital	Total
Gross DTAs	$ 89	—	89
Statutory valuation allowance adjustments	—	—	—
Adjusted gross DTAs	89	—	89
DTAs nonadmitted	(65)	—	(65)
Subtotal net admitted DTAs	24	—	24
DTLs	9	—	9
Net admitted DTAs	$ 33	—	33

(In thousands)

The amount of gross DTAs admitted under each component of SSAP No. 101 for the years ended December 31, 2018 and 2017 is as follows:

		December 31, 2018		
		Ordinary	Capital	Total
A. Federal income taxes paid in prior years recoverable through loss carrybacks	$	1,247	—	1,247
B. Adjusted gross DTAs expected to be realized after application of the threshold limitations:				
1. Adjusted gross DTAs expected to be realized following the balance sheet date		—	—	—
2. Adjusted gross DTAs allowed per limitation threshold		8,572	—	8,572
Lesser of B1 or B2		—	—	—
C. Adjusted gross DTAs offset by gross DTLs		66	—	66
Admitted DTAs as the result of application of SSAP No. 101	$	1,313	—	1,313

		December 31, 2017		
		Ordinary	Capital	Total
A. Federal income taxes paid in prior years recoverable through loss carrybacks	$	1,096	—	1,096
B. Adjusted gross DTAs expected to be realized after application of the threshold limitations:				
1. Adjusted gross DTAs expected to be realized following the balance sheet date		118	—	118
2. Adjusted gross DTAs allowed per limitation threshold		13,942	—	13,942
Lesser of B1 or B2		118	—	118
C. Adjusted gross DTAs offset by gross DTLs		75	—	75
Admitted DTAs as the result of application of SSAP No. 101	$	1,289	—	1,289

(In thousands)

	Change		
	Ordinary	**Capital**	**Total**
A. Federal income taxes paid in prior years recoverable through loss carrybacks	$ 151	—	151
B. Adjusted gross DTAs expected to be realized after application of the threshold limitations:			
1. Adjusted gross DTAs expected to be realized following the balance sheet date	(118)	—	(118)
2. Adjusted gross DTAs allowed per limitation threshold	(5,370)	—	(5,370)
Lesser of B1 or B2	(118)	—	(118)
C. Adjusted gross DTAs offset by gross DTLs	(9)	—	(9)
Admitted DTAs as the result of application of SSAP No. 101	$ 24	—	24

	December 31	
	2018	**2017**
(a) Ratio percentage used to determine recovery period and threshold limitation amount	295%	321%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation above	$ 85,717	92,947

There was no impact from tax planning strategies on the Company’s adjusted gross DTAs or net admitted DTAs as of December 31, 2018 or 2017. The Company’s tax-planning strategies do not include the use of reinsurance tax-planning strategies.

There are no temporary differences for which DTLs are not recognized.

There are no unrecognized DTLs for temporary differences related to investments in foreign subsidiaries and foreign corporate joint ventures. There are no unrecognized DTLs for temporary differences.

The realization of the DTA is dependent upon the Company’s ability to generate sufficient taxable income in future periods. Based on the prospects for future current operations, management anticipates that it is more likely than not that future taxable income will be sufficient for the realization of the remaining DTAs.

(In thousands)

Components of deferred income taxes as of December 31, 2018 and 2017 are as follows:

		2018	2017	Change
Assets:				
Ordinary:				
Start-up costs	$	704	790	(86)
Fixed assets		229	216	13
Discounting of unpaid losses		300	220	80
Nonadmitted assets		842	742	100
Other		—	18	(18)
Subtotal		2,075	1,986	89
Nonadmitted ordinary DTAs		(762)	(697)	(65)
Admitted ordinary DTAs		1,313	1,289	24
Liabilities:				
Ordinary:				
Discounting of unpaid losses		66	75	(9)
DTLs		66	75	(9)
Net DTAs	$	1,247	1,214	33

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

		2018	2017	Change
Total assets	$	2,075	1,986	89
Total liabilities		(66)	(75)	9
Net assets		2,009	1,911	98
Statutory valuation allowance adjustment		—	—	—
Change in net deferred income taxes	$	2,009	1,911	98

(In thousands)

A reconciliation of income tax expense at the statutory federal rate to income tax at the effective rate for the years ended December 31, 2018 and 2017 is as follows:

		2018	2017
Current federal income tax expense	$	6,127	14,262
Change in net deferred income taxes		(98)	1,378
Total income tax expense reported	$	6,029	15,640
Income before federal income tax expense	$	8,761	41,569
Statutory federal tax rate		21%	35%
Expected income tax expense at statutory federal tax rate		1,840	14,549
Adjustments to income tax resulting from:			
Nondeductible expenses for meals and entertainment		4	7
Change in nonadmitted assets		(100)	304
ACA assessment		4,285	—
Effect of change in tax law (note 2)		—	780
Total income tax expense reported	$	6,029	15,640

Due to the Tax Reform Bill discussed in note 2, the Company recorded a reduction to capital and surplus of $1,274 for the year ended December 31, 2017 related to the revaluation of its DTAs and DTLs without tax on unrealized gains and losses. $494 of this reduction relates to the revaluation of its DTA on nonadmitted assets and $780 relates to the revaluation of the other DTAs and DTLs.

The Company is included in the consolidated federal income tax return of Holdings. The Company's federal income tax return is consolidated with the following entities:

- AMHP Holdings Corp.
- AmeriHealth Caritas District of Columbia, Inc.
- AmeriHealth Michigan, Inc.
- Select Health of South Carolina, Inc.
- AmeriHealth Caritas Iowa, Inc.
- Community Behavioral HealthCare Network of Pennsylvania, Inc.
- AmeriHealth Caritas Delaware, Inc.
- AmeriHealth Caritas Texas, Inc.
- CBHNP Services, Inc.
- AmeriHealth Caritas Kansas, Inc.

(In thousands)

The tax sharing agreement, as discussed in note 2, specifies the manner in which the group will share the consolidated tax liability and also how certain tax attributes are to be treated among members of the group. Under the tax sharing agreement, the Company pays to or receives from Holdings the amount, if any, by which the federal income tax liability was affected as a result of including the Company in the group.

(12) Leases

The Company maintains non-cancelable operating lease agreements for facilities expiring on various dates. The monthly base rent amount includes scheduled increases as defined in the agreements. The Company is also responsible for real estate taxes, utilities, and all other expenses associated with the operation of its leased facilities. Rent expense for operating leases amounted to $849 and $806 for the years ended December 31, 2018 and 2017, respectively, and is included in administrative expenses on the accompanying statutory statements of revenues and expenses. Recognition of rent expense on a straight-line basis in accordance with SSAP No. 22, *Leases*, resulted in deferred rent of $15 and $27 as of December 31, 2018 and 2017, respectively, which is included within accounts payable and accrued expenses on the accompanying statutory statements of admitted assets, liabilities, and capital and surplus.

Future minimum rental commitments under such noncancelable lease agreement as of December 31, 2018 are as follows:

2019	$	630
2020		80
2021		43
	$	753

(13) Contingencies

In the ordinary course of business, the Company is involved in and is subject to claims, contractual disputes with providers, and other uncertainties. The Company records reserves and accrues costs for certain legal proceedings and regulatory matters to the extent that it determines an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. While such reserves and accrued costs reflect the Company's best estimate of the probable loss for such matters, the recorded amounts may differ materially from the actual amount of any such losses. In some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal and regulatory proceedings, which may be exacerbated by various factors.

As of the balance sheet date, amounts accrued for legal proceedings and regulatory matters were not material. However, it is possible that in a particular quarter or annual period the Company’s financial position, results of operations, and/or liquidity could be materially adversely affected by an ultimate unfavorable resolution of or development in legal and/or regulatory proceedings. The Company believes that the ultimate outcome of any of the regulatory and legal proceedings that are currently pending against it should not have a material adverse effect on financial position, results of operations, or liquidity.

(In thousands)

(14) Reconciliation to GAAP

The following schedule reconciles total capital and surplus in accordance with NAIC SAP reflected in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus to stockholder's equity as of December 31, 2018 and 2017, as determined under GAAP:

		2018	2017
Total capital and surplus as reported in the accompanying statutory statements of admitted assets, liabilities, and capital and surplus	$	86,979	94,188
Net unrealized gains on investments		71	164
Difference between GAAP and statutory net DTA		(856)	(775)
Nonadmitted assets excluded from capital and surplus as reported in the statutory reports:			
Fixed assets, net		665	622
Deferred income taxes		762	697
Healthcare receivables		3,174	2,662
Prepaid expenses and other		170	249
Stockholder's equity as determined under GAAP	$	90,965	97,807

For the years ended December 31, 2018 and 2017, statutory net income of $2,634 and $27,307, respectively, reported in accordance with NAIC SAP, differed from GAAP net income of $2,639 and $26,261, respectively, primarily due to different accounting treatment of deferred tax assets.

(15) Subsequent Events

For statutory reporting purposes, management has evaluated events and transactions occurring subsequent to year-end through March 1, 2019, the date that the 2018 annual statement was filed with the NAIC, for potential recognition and disclosure. Management continued to evaluate events and transactions occurring subsequent to year-end through May 29, 2019, the date that the audited statutory financial statements were available to be issued, for potential recognition and disclosure. No events or transactions occurring subsequent to year-end meet the definition of a recognized or nonrecognized subsequent event under the scope of SSAP No. 9, *Subsequent Events*, and, therefore, do not require recognition or disclosure in the annual statement or the statutory financial statements.

SUPPLEMENTAL EXHIBITS TO STATUTORY FINANCIAL STATEMENTS

AMERIHEALTH CARITAS LOUISIANA, INC.

Supplemental Investment Risk Interrogatories

December 31, 2018

(In thousands)

Total admitted assets as of December 31, 2018: $261,675

1. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding (i) U.S. government, U.S. government agency securities, and those U.S. government money market funds listed in the appendix to the *SVO Practices and Procedures Manual* as exempt; (ii) property occupied by the Company, and (iii) policy loans.

Issuer	Investment category	Statement value	Percentage of total admitted assets
a. Blackrock Liquidity FDS Tempfunds	Cash Equivalents	$ 5,138	2.0%
b. Regions Trust Cash Sweep	Cash Equivalents	3,190	1.2
c. Blackrock Liquidity FDS Fedfunds	Cash Equivalents	2,334	0.9
d. Westpac Banking Corp 19 CD	Bond	1,850	0.7
e. BNZ International Funding CD	Bond	1,845	0.7
f. Standard Chartered BKNY CDFLT19	Bond	1,845	0.7
g. CPPIB Capital Inc	Bond	1,839	0.7
h. Unilever Cap Corp 0% CP2/01/2019	Bond	1,838	0.7
i. Henkel Corp 0% CP07/01/2019	Bond	1,834	0.7
j. Toronto Dominion Bank 0% CP	Bond	1,789	0.7

2. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating.

Bonds			Preferred stocks		
NAIC-1	$ 58,323	22.3%	P/PSF-1	$ —	—%
NAIC-2	1,525	0.6	P/PSF-2	—	—
NAIC-3	—	—	P/PSF-3	—	—
NAIC-4	—	—	P/PSF-4	—	—
NAIC-5	—	—	P/PSF-5	—	—
NAIC-6	—	—	P/PSF-6	—	—

3. The Company holds no foreign investments.

4. The Company holds no Canadian investments.

5. The Company holds no investments with contractual sales restrictions.

6. The Company holds no equity interests.

Schedule 1

AMERIHEALTH CARITAS LOUISIANA, INC.

Supplemental Investment Risk Interrogatories

December 31, 2018

(In thousands)

7. The Company holds no nonaffiliated, privately placed equities.
8. The Company holds no general partnership interests.
9. The Company holds no mortgage loans.
10. The Company holds no real estate.
11. The Company holds no mezzanine real estate loans.
12. The Company does not have admitted assets subject to securities lending agreements, repurchase agreements, reverse repurchase agreements, dollar repurchase agreements, or dollar reverse repurchase agreements.
13. The Company does not hold warrants.
14. The Company does not have exposure to collars, swaps, or forwards.
15. The Company does not have exposure for futures contracts.

See accompanying independent auditors' report.

Schedule 2

AMERIHEALTH CARITAS LOUISIANA, INC.

Supplemental Summary Investment Schedule

December 31, 2018

(In thousands)

Investment categories	Gross investment holdings*		Admitted assets as reported in the annual statement	
Bonds:				
U.S. Treasury securities	$ —	—%	$ —	—%
U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
Issued by U.S. government agencies	—	—	—	—
Issued by U.S. government sponsored agencies	—	—	—	—
Foreign government (including Canada, excluding mortgage-backed securities)	—	—	—	—
Securities issued by states, territories, and possessions, and political subdivisions in the United States:				
State, territory, and possession general obligations	—	—	—	—
Political subdivisions of states, territories, and possessions and political subdivisions general obligations	—	—	—	—
Revenue and assessment obligations	—	—	—	—
Industrial development and similar obligations	—	—	—	—
Mortgage-backed securities (includes residential and commercial mortgage-backed securities):				
Pass-through securities:				
Guaranteed by GNMA	—	—	—	—
Issued by FNMA and FHLMC	—	—	—	—
Privately issued	—	—	—	—
CMOs and REMICs:				
Issued by FNMA and FHLMC	—	—	—	—
Privately issued and collateralized by mortgage-backed securities issued or guaranteed by GNMA, FNMA, and FHLMC	—	—	—	—
All other privately issued	—	—	—	—
Other debt and other fixed-income securities (excluding short-term):				
Unaffiliated domestic securities (includes credit tenant loans rated by SVO)	9,427	5.01	9,427	5.01
Unaffiliated foreign securities	3,555	1.89	3,555	1.89
Affiliated securities	—	—	—	—
Equity interests:				
Investments in mutual funds	—	—	—	—
Preferred stocks:				
Affiliated	—	—	—	—
Unaffiliated	—	—	—	—
Publicly traded equity securities (excluding preferred stocks):				
Affiliated	—	—	—	—
Unaffiliated	—	—	—	—
Other equity securities:				
Affiliated	—	—	—	—
Unaffiliated	—	—	—	—
Other equity interests including tangible personal property under lease:				
Affiliated	—	—	—	—
Unaffiliated	—	—	—	—
Mortgage loans:				
Construction and land development	—	—	—	—
Agricultural	—	—	—	—
Single-family residential properties	—	—	—	—
Multifamily residential properties	—	—	—	—
Commercial loans	—	—	—	—

(Continued)

Schedule 2

AMERIHEALTH CARITAS LOUISIANA, INC.

Supplemental Summary Investment Schedule

December 31, 2018

(In thousands)

Investment categories	Gross investment holdings*		Admitted assets as reported in the annual statement	
Real estate investments:				
Property occupied by company	$ —	—%	$ —	—%
Property held for production of income	—	—	—	—
Property held for sale	—	—	—	—
Collateral loans	—	—	—	—
Policy loans	—	—	—	—
Receivable for securities	—	—	—	—
Cash, cash equivalents, and short-term investments	175,175	93.10	175,175	93.10
Write-in for invested assets	—	—	—	—
Total invested assets	$ 188,157	100.00 %	$ 188,157	100.00 %

* Gross Investment Holdings as valued in compliance with *NAIC Accounting Practices and Procedures Manual.*

See accompanying independent auditors' report.